

JPRS-EER-90-002  
3 JANUARY 1990



**FOREIGN  
BROADCAST  
INFORMATION  
SERVICE**

---

# ***JPRS Report***

## **East Europe**

---

# East Europe

JFRS-EER-90-002

## CONTENTS

3 JANUARY 1990

### POLITICAL

#### ALBANIA

Decree on Issuance of Passports, Visas [GAZETA ZYRTARE Oct]	1
Decree on Prices, Standards, Quality Control Amended [GAZETA ZYRTARE Oct]	1
Article on Patents Added to Civil Code [GAZETA ZYRTARE Oct]	2
Ratification of 1925 Geneva Convention on Poison Gas [GAZETA ZYRTARE Oct]	2

#### GERMAN DEMOCRATIC REPUBLIC

Cultural Weekly Interviews New Forum's Bohley [SONNTAG 12 Nov]	2
Academic Questions Permanence, Quality of SED Change [SONNTAG 5 Nov]	5

#### POLAND

Distinctions Between 'Reparations,' 'Restitutions' Analyzed [Frankfurt/Main FRANKFURTER ALLGEMEINE 27 Nov]	6
Presidential Press Spokesmen on Office Staffing, Foreign Policy [TRYBUNA LUDU 20 Oct]	7
Internal Affairs Weekly Quoted on Poor Morale in Ranks [LAD 10 Sep]	9

#### YUGOSLAVIA

Croatian Political Views Expressed in Polls	10
Zagreb Residents Rate Leaders [DANAS 17 Oct]	10
Intellectuals Polled on Issues [DANAS 17 Oct]	15

### ECONOMIC

#### BULGARIA

Norway's Largest East Bloc Cooperative Venture Detailed [Oslo AFTENPOSTEN 4 Dec]	19
--	----

#### CZECHOSLOVAKIA

Success or Failure of Current Harvest Debated [LIDOVA DEMOKRACIE 20 Oct]	19
--	----

#### GERMAN DEMOCRATIC REPUBLIC

Industry's Failings Detailed, Changes Proposed [VOLKSSTIMME 4 Nov]	20
Leading Economist on Turnaround in Economy, Current Problems [DAS VOLK 7 Nov]	22
Economist Wants More Autonomy, Flexibility for Enterprises [NEUES DEUTSCHLAND 13 Nov]	23
Economist Discusses Needed Reform, Currency Convertibility [JUNGE WELT 7 Nov]	26

#### HUNGARY

FIDESZ Economic Policy Platform Proposed	28
Association on Crisis Management [FIGYELO 16 Nov]	28
Association on the Housing System [FIGYELO 16 Nov]	30
Pet Nitrogen Bought by Swiss-Based Multinational [NEPSZAVA 29 Nov]	32

**POLAND**

Former Premier on Economic, Political Reforms [KONFRONTACJE Sep] .....	33
Export Opportunities, State of Agriculture Viewed [RYNKI ZAGRANICZNE 23-26 Sep] .....	37
Fear of GDR Competition for FRG Investment Surfaces [Frankfurt/Main FRANKFURTER ALLGEMEINE 13 Nov] .....	39
'Ownership Transformation' Concept Goes Beyond Privatization [RZECZPOSPOLITA 20 Oct] .	40
Small Exporters Seek Market in FRG [RYNKI ZAGRANICZNE 7 Oct] .....	41
Indian Footwear Firm Opens New Branch [RYNKI ZAGRANICZNE 28 Aug] .....	42
Search for Baltic Sea Oil Reserves Continues [RZECZPOSPOLITA 21-22 Oct] .....	43
Polish VCR's Planned for National Market [ZYCIE WARSZAWY 10 Oct] .....	43
Daihatsu Aid Sought in Mid-Size Car Production [TRYBUNA LUDU 3 Oct] .....	44
Dutch-Polish Protocol on Environmental Cooperation Signed [RZECZPOSPOLITA 2 Oct] .....	44

## ALBANIA

### Decree on Issuance of Passports, Visas

90EB0124A Tirana GAZETA ZYRTARE in Albanian  
Oct 89 pp 59-61

[Decree No 4505, dated 8 May 1969, "On the Issuance of Passports for Travel Outside the State and the Granting of Visas" (Amended by Decree No 7331, dated 12 October 1989)]

[Text]

#### Article 1

A passport is an official document, by means of which an Albanian citizen may exit and enter the territory of the People's Republic of Albania, as well as travel from one foreign state to another. The content and form of every type of passport is determined by the Ministry of Foreign Affairs and the Ministry of Internal Affairs.

#### Article 2

An Albanian citizen who has reached the age of 16 and wants to exit or enter the People's Socialist Republic of Albania, or to travel from one foreign state to another, must be provided with an Albanian passport, together with the appropriate visa, except in cases where there are agreements between the People's Socialist Republic of Albania and foreign states regarding travel with another document. The passport is issued by competent authorities, as specified in Article 4 of this decree.

An Albanian citizen who has not reached the age of 16, when traveling with his parent or guardian, is not provided with a separate passport, but data regarding his identity are entered in the passport of his parent or guardian, in accordance with the requirements attached to that passport. In other cases, an Albanian citizen who has not reached the age of 16 is provided with a special pass.

#### Article 3

A foreign citizen who wants to enter and exit the territory of the People's Republic of Albania must have a passport of the state of which he is a citizen and an Albanian visa, except in cases where there are agreements between the People's Socialist Republic of Albania and other states regarding travel with another document, with or without a visa.

A foreign citizen who has entered the People's Republic of Albania legally, with a passport of the state of which he is a citizen and an Albanian visa, may leave Albanian territory only with that passport which verifies his entry into Albania in accordance with its legislative regulations in force.

#### Article 3a

Crossing the border of the People's Socialist Republic of Albania is accomplished at border control crossing

points determined by the Ministry of Internal Affairs of the People's Socialist Republic of Albania.

#### Article 4

Passports, passes, and visas are issued by the Ministry of Foreign Affairs, the Ministry of Internal Affairs, and by diplomatic missions or Albanian consuls outside the state.

Passports, passes, and visas that are issued are valid within the time limit noted in them by the organs assigned to issue them. These time limits, according to the case, may be extended by these organs.

As a rule, a visa is granted for one trip and for particular cases; it may also be granted for more than one trip.

#### Article 5

Albanian citizens who travel for personal reasons are charged for the issuance of a passport, a pass, and a visa.

Foreign citizens are charged on a reciprocal basis for the issuance of entry or exit visas. Visas are given gratis to foreigners who come to our country at the invitation of state institutions or social organizations.

#### Article 6

Exit from or entry into the territory of the People's Socialist Republic of Albania without the document and visa provided for in this decree are punishable according to the provisions of the Penal Code of the People's Socialist Republic of Albania.

#### Article 7

Detailed regulations regarding the issuance of passports, passes, and visas are determined jointly by the Ministry of Foreign Affairs and the Ministry of Internal Affairs.

*Note: The present provisions entered into force as of 12 October 1989.*

### Decree on Prices, Standards, Quality Control Amended

90EB0124D Tirana GAZETA ZYRTARE in Albanian  
Oct 89 pp 65-66

[Decree Regarding Some Changes in Decree No 7095, dated 17 January 1987, "Regarding Prices, Standards, and Quality Control"]

[Text] Based upon Article 78 of the Constitution;

By proposal of the Council of Ministers;

The Presidium of the People's Assembly of the People's Socialist Republic of Albania has resolved:

#### Article 1

In Decree No 7095, dated 17 January 1987, "Regarding Prices, Standards, and Quality Control," in Article 5, paragraphs four and five are changed as follows:



"—The full mean or advanced cost of the branch for industrial products, the full mean cost of poor sources in the extraction industry, the mean cost of agricultural enterprises classified as plains, hilly, and mountainous, the mean cost of goods or groups of goods for the transport fees of goods.

"—The assurance of profitability, with the intention that the enterprise should cover the creation of a special fund and of financing provided for by legal provisions.

#### Article 2

In Article 11, the first paragraph is changed as follows:

"The wholesale prices of imported goods, if these are also produced within the country, are equal to those produced domestically. For some raw materials which must be used economically, the wholesale prices may be set higher than for such materials produced domestically.

"The wholesale prices of imported machinery and equipment which are similar to such goods produced domestically are set higher."

#### Article 3

This decree goes into force immediately.

Tirana, 20 July 1989  
Decree No 7317

For the Presidium of the People's Assembly of the People's Socialist Republic of Albania

Secretary, Sihat Tozaj  
Chairman, Ramiz Alia

#### Article on Patents Added to Civil Code

90EB0124C Tirana GAZETA ZYRTARE in Albanian  
Oct 89 p 63

[Decree Regarding an Addition to the Civil Code of the People's Socialist Republic of Albania]

[Text] Based upon Article 78 of the Constitution;

By proposal of the Council of Ministers;

The Presidium of the People's Assembly of the People's Socialist Republic of Albania has resolved:

#### Article 1

After Article 333 of the Civil Code of the People's Socialist Republic of Albania is added Article 333/a with this content:

"Authors of inventions made outside the territory of the People's Socialist Republic of Albania, for which patents have been taken out and rights to their exclusive use acknowledged in the inventor's country receive acknowledgment and protection of registration rights of these patents in our country as well.

"Procedures for the registration of patents and determination of appropriate fees for service are carried out by the organs specified by special provisions of the Council of Ministers."

#### Article 2

This decree goes into force immediately.

Tirana, 20 July 1989  
Decree No 7316

For the Presidium of the People's Assembly of the People's Socialist Republic of Albania

Secretary, Sihat Tozaj  
Chairman, Ramiz Alia

#### Ratification of 1925 Geneva Convention on Poison Gas

90EB0124B Tirana GAZETA ZYRTARE in Albanian  
Oct 89 p 62

[Regarding the Adherence of the People's Socialist Republic of Albania to the "Protocol on the Prohibition of Use in Warfare of Suffocating, Poison, or Similar Gas and of Bacteriological Materials"]

[Text] Based upon Article 77 of the Constitution;

By proposal of the Council of Ministers;

The Presidium of the People's Assembly of the People's Socialist Republic of Albania has resolved:

#### Article 1

The adherence of the People's Socialist Republic of Albania to the "Protocol on the prohibition of the use in warfare of suffocating, poison, or similar gas and of bacteriological materials," signed in Geneva on 17 June 1925.

#### Article 2

This decree goes into force immediately.

Tirana, 20 July 1989  
Decree No 7315

For the Presidium of the People's Assembly of the People's Socialist Republic of Albania

Secretary, Sihat Tozaj  
Chairman, Ramiz Alia

#### GERMAN DEMOCRATIC REPUBLIC

##### Cultural Weekly Interviews New Forum's Bohley

90EG0070A East Berlin SONNTAG in German Vol 44  
No 46, 12 Nov 89 p 10

[Interview with Baarbel Bohley, coiniciator of New Forum by Andreas Lehmann and Jens-Uwe Korsowsky: "Ways of Finding One's Self"; date and place not given]

[Text] [SONNTAG] Let's start where we left off. In a 1980 conversation with SONNTAG you said that you want to keep complaining but also keep collaborating. What transpired at that time?

[Bohley] I was in Branch Management of the Association of Berlin Consumer Cooperatives and had to experience sitting in one place and getting a thrashing from below and actually could not make decisions because they were being made somewhere entirely different in the final analysis. My colleagues applied for a trip to the West, and Branch Management had to approve it. But he then went to the Ministry of Culture, to the Ministry of the Interior and to National Security. We were the first authority, and we disputed whether our colleague should be able to go. It was a moot discussion, as it was completely clear that we were not responsible for it anyway. National Security made the decision in the long run. One sat around for hours and actually had the feeling of being ridiculed. That is sham democracy.

I was expelled from Branch Management in 1982 because I introduced an amendment to the Military Conscription Law allowing women to be conscripted in case of mobilization. The whole world spoke of peace, everyone spoke of rearming, but when one personally took the initiative it resulted in such consequences, for example. One was only to rush to prescribed demonstrations but leave the solution of the problems to some other people.

[SONNTAG] What did you continue to do then? Did you try to work within the existing structures?

[Bohley] They are simply of no use because they are usually occupied by people who have no courage and take no risks. They are in a rut; decisions can always be made only by certain people. All the people I spoke with—regardless of whether they belonged to some organization or some association—are completely convinced that these structures are dead and that they can only be revived through competition with new ones. For example, an independent Student Association could force Free German Youth, so to speak, to become more lively.

[SONNTAG] Structure expansion or a completely new one?

[Bohley] I would think: a new one. I can now talk to the association. I simply believe it is absurd: one Association of Artists. There really can only be Associations of Artists. I was always associated with people I didn't respect; either as humans or because of their work. I always asked myself why it is not possible to found an association of people that have similar interests. So I think when the consensus is: "we paint"—that is ridiculous. I think interests must be structured and I find they must constantly grill these state associations and be able to analyze them.

[SONNTAG] What appropriate personal steps did you take due to your experiencing the failure of these structures?

[Bohley] The consequence for me is simply that there must be a legal opposition, and it may not always be denounced as a marionette and controlled by the West.

It must be permissible to dispute the path to a completely defined goal. That was not possible. One goal was always our aim: we are building up socialism here. The path there was always mandated. Everyone who questioned this path was made an enemy of the State. I was no longer active in the association, and I found it very disgusting that I sat with colleagues for 5 years who then publicly told me it is unconscionable for me to carry out this function. And they shook my hand in the hallway and said: "Great, what you said there!"

[SONNTAG] Did this lead to your becoming a coinitorator of the New Forum this year?

[Bohley] This was only one aspect. Otherwise it is very complex. After the Luxembourg demonstration at which I was arrested and sent to the West so that law and order would reign here, I was able to see how things function in the West. I learned that an opposition can be an enrichment.

[SONNTAG] Since we are talking about the term "opposition" it would be natural to ask what opposition means to you.

[Bohley] That is clear: to be against this certain path, or against that certain goal, or against a certain manner of dealing with people.

[SONNTAG] Against what specifically? We see a danger from the experience of the forums and demonstrations of recent years: proceeding against something in a sweeping manner. Something—the address, the names, the things are unclear, generally.

[Bohley] For me this is a result of GDR history. Forty years brought about sheep-like people. They grew up with lies. One must say this: every newspaper here has knowingly lied; everyone new it but accepted it nonetheless. In no other country was it necessary to read between the lines to find the truth. I would initially consider it normal if everything now sank into universalities. It is like a child liberating itself from his parents. Initially, he opposes everything while finding himself. It takes a while for a constructive dialogue to ensue. However, this will not transpire from the other side either. Not only the criticism lacks substance, self criticism is also underdeveloped.

[SONNTAG] Well, even excuses under the motto "No Discussion of Mistakes" are dangerous. In this situation there are naturally more or less politically responsible persons. Oddly, 95 percent of the GDR consists momentarily of people that "always fought in the underground"—that always knew it. Some 95 percent "resistance fighters."

[Bohley] I once said when I was asked: "The entire GDR is oppositional." Everyone said in his private realm: This is worthless, and that won't work. However, there was no public basis for this.

[SONNTAG] Maybe this statement is useful as a metaphor. To stay in the picture—the GDR was also opportunistic.

[Bohley] Yes. I think that people who say we were always against it are still opportunistic, even now.

[SONNTAG] What guarantees do you see to keep the mechanism that has started from getting stuck in the sand?

[Bohley] I think once one has breathed free air, it's not forgotten so easily.

[SONNTAG] Perhaps so one doesn't forget; possible that one will be reminded of it: by a Socialist Opposition. The New Forum can and will play such a role in our opinion. Would you recapitulate in this context once again who originally met in the New Forum with what goals?

[Bohley] Basically, people who were disappointed in the parties, the system, and in daily life met there. Primarily the age group 35-45 was represented more strongly there than youth. They say we let ourselves get burned out for something we thought of as ideal but which did not materialize. We want something to change here because we are not going to the West and because we cannot go on living like this for 20 more years. Initially, this hasn't so much at all to do with political goals. In fact, I also do not know the way, the destination, or what must absolutely be done now. However, I think this benefits us more than when a goal is dangled in front of our eyes. That was the case for 40 years.

[SONNTAG] What type of ideal do you visualize now? It won't quite work without a little utopia either.

[Bohley] I don't know what ideals all the people have.

[SONNTAG] And you?

[Bohley] For everyone to really be able to stand up proudly.

[SONNTAG] Let's return to the program. Basically, many people were certainly in agreement with the first declaration of the New Forum. Critics found that the words socialism and anti-Fascism did not appear at all.

[Bohley] The word socialism is missing for the simple reason that it is a worn out word. So many things that were not socialist took place under the name socialism. We said this word must first be filled with life. It is not our problem now whether society calls itself "Democratic Socialists" or "Socialist Democracy." We actually described a concrete feeling of life as we sat here every evening watching people leave. I never even thought of "anti-Fascist." We were first made aware of this later. I

have heard of the skinheads. I think one must consider: at any rate, they were all born here, they went through our educational system and grew up with us. There is no proper body of thought that falls from heaven.

In that sense, we were not social-critical in our first appeal. We tried to describe the tension we live under—that we want order but no state of spies and that we want to work but not have a society of jostlers.

[SONNTAG] Do you have objectives in addition to that?

[Bohley] We do not see ourselves as a party, but as a movement. We have no platform, only a list of problems. The areas are defined, for example, for the economy and the ecology. We assumed that nobody knows how the economy is doing. We probably live better than we should and the environment is worse than we think or maybe even much better. Nobody knows that for sure.

[SONNTAG] Are there already concrete results?

[Bohley] There are a lot of people with expert knowledge in the New Forum who cannot introduce this into society because it does not fit the concept. There are working groups there which evaluate that; objectives are supposed to be developed on that basis. It was also important to us to build a bridge between those who are affected and those who have expert knowledge. In other words, not just people who know about air, but also people who breathe this air.

[SONNTAG] The New Forum as a platform that organizes the public. Would that mean the New Forum would be superfluous if a new political culture asserts itself which creates effective vertical and horizontal lines of communication?

[Bohley] Yes, I believe that also. When this society changes and this system is present and functioning, then it is superfluous.

[SONNTAG] We think that what is known today as basic democratic interest groups must get an established place in the political system at any rate.

[Bohley] It may be that the New Forum will be a permanent fixture. I'm being subjective and would like to return to my studio again sometime.

[SONNTAG] What the New Forum described in its first declaration was an expression of our view. We are members of the SED [Socialist Unity Party of Germany] and had naturally picked out much of that as a central theme—and not just since summer. We could substantiate that with concrete examples. Did you know that the situation was like that in the grass roots of the SED?

[Bohley] Such a paper had to come from it if the party claims the leading role.

[SONNTAG] The democratic structures within the party have also apparently failed. Naturally, this must be

resolved; finding oneself in this party, too. But the problem areas you targeted were also ours.

[Bohley] Perhaps that is why so many members of the SED signed up for the New Forum. The novation was simply that we said we're taking it to the public now. Of course, we knew that these were also the thoughts of many members of the SED. What makes us different: When you speak of the leadership standard of the SED. I must say it got us here and it did not do justice to the leadership standard in my view. Otherwise, I do not want to take it away from the current or future parties, but it must legitimize itself so to speak.

[SONNTAG] We are not all that different in that point. You already said in a different context that the public disputes are no dialogue in your opinion. When would that be the case?

[Bohley] Two partners can conduct a dialogue, but when it is supposed to take place in society, it must be institutionalized. Therefore, this cannot be "Mr Mueller" who gets excited about something. Even Mr Schabowski does not speak for himself, but for the SED. So some things must back up Mr Mueller, otherwise Mr Schabowski won't let anyone look at and check his work.

[SONNTAG] Then whatever is backing up "Mr Mueller" must be formulated more clearly programmatically.

[Bohley] That will happen; I'm convinced of that.

[SONNTAG] What makes you so certain?

[Bohley] Because an unknown number of people are there that all want something. I believe that a determination of opinion must first take place. That will take time. That cannot be done from one day to the next after 40 years of being stifled. And I also think that we must simply insist on this time and not be rushed by all types of people to submit a platform tomorrow. Our program is to finally entice the people themselves to create their platform.

[SONNTAG] In conclusion, let's return to SONNTAG and your program. You said at that time one should be true to oneself until then—not necessarily always to continue painting....

[Bohley] I think no one can afford to be only an artist in the 21st century. I simply think it is a lie of life to go into the studio every morning, to place three heads of cabbage down and settle for a picture in the evening. We all live too dangerously for that. There are expanses of life I would not like to stand outside of and observe what is happening.

### Academic Questions Permanence, Quality of SED Change

90EG0070B East Berlin SONNTAG in German Vol 44 No 45, 5 Nov 89 p 2

[Article by Prof Dr Michael Brie, head of the Historical Materialism staff of the Humboldt University Philosophy Department: "The Change"]

[Text] The hundreds of thousands of those who stayed here are still on the streets, the flow of those leaving the country and the runaways has still not petered out; there is still no sober estimation of the situation much less of its causes; the "transgressions" of the police (to use the public prosecutor's terminology) are still not publicly resolved; no real step has been taken toward making what happened unrepeatable and far too many people nonetheless think that a turning point has been instituted once again. Wasn't there the "New 1953 Course" and the reforms of the Sixth Party Congress in 1963? Wasn't there the "New Beginning" of the history of the GDR at the Eighth Party Congress or the turning point in economic policy at the end of the 1970's?

So many turning points and still no end in sight. Different people and always the same window dressing. The pictures look alike and the words are already worn out. Mistrust predominates when those who only yesterday adamantly followed the course of the seventh plenum call it a primrose path today and commence a new agenda with the ninth plenum. Many people are executing the turning point much too quickly. Some people are asking themselves: "when will the tables turn back?" Who can guarantee that the turning point will not turn out to be a mere lurching from side to side of the ship in the old direction in a heavy storm?

Whoever takes the turning point seriously must know there is a crisis in our country. And he must say it. And the mistakes of two or three replaceable people in the last 2 or 3 years did not evolve into a crisis—it is the crisis of administratively- and centrally-organized socialism in the GDR.

One recently detected snobishness when one spoke of other socialist countries and their problems. The signs of the times were misread. This crisis is the general and comprehensive crisis of an international developmental phase of socialism in general. And it is the last crisis of this special socialism.

More years could be enumerated than 1953, 1956, 1964, 1968, 1970, 1971, 1980, and 1985. Probably every European socialist country—and all of them jointly—have constantly undergone a new developmental cycle encompassing 4 periods in a more or less glaring or delicate form.

1. An awakening and a turning point were derived from a crisis. Subjectivism, lack of collectivity, and the person cult were criticized, and one finally looked away from the self image in the media and—backs to the wall—actually turned once again to the masses (Markus Wolf).



2. This awakening ended up in a series of partial reforms, a sequence of more or less consistent adaptations to the conditions. However, the basic structure of this socialism was always only modified, but never abandoned.

3. The result was stagnating tendencies that always encompassed increasingly broad societal realms. And this period of stagnation evolved into

4. a new crisis.

This critical reproductive and developmental cycle of administrative-centralist Socialism is secured in its basic structure: in the reproductive link of the constantly growing concentration of all definitive proprietary functions, all meaningful positions of power, all effective intellectual forces of society in the administrative central of the State and the party on the one hand and in the expropriation of the working class of exactly these functions, positions and forces on the other hand. Any attempt to make this effectiveness correlation of past socialism more efficient by more or less energetic corollaries has brought us to a greater dead end and a more painful and even deeper crisis after a constantly weakening period of new partial progress. And today we must recognize: whoever wants to eradicate the crisis cycle of socialism must transform his basic structures in a truly socialist way. A revolution is necessary. We must part ways with administrative-centralist socialism, but not return to private ownership nor to exploitation. This is the watchword of the hour. By contrast, genuine socialization, real socialization of property, power and social awareness are on the agenda.

Low innovative capacity, inefficiency, not asserting the performance principle, alienation of the people from power, spontaneity and blindness are incessantly unavoidable in the previous basic structure of socialism. This administrative-centralistic form of development of socialism has no answer for the contemporary scientific and technical revolution, for global problems nor for the self-created needs of the working class. That is why the crisis is unavoidable.

However, these crises were preceded by a development owed to those who fought for scientific, technical, economic, social and political as well as intellectual progress in the basic structures of this Socialism and who did the sensible thing day in and day out and avoided the unsensible. It was them who minimized stalinistic outgrowths and crime in our country, who always gave our economy a new social orientation and fought for education, health and culture against all resistance by the system, achieved compromises and thus attained what was possible. Thanks and respect must be granted for this. Without them this system would have been able to completely develop its dangerous logic of global expropriation and alienation; without them awakening from this crisis to a new socialism would not even have been possible. And even if it's unpopular today, it must be said: even Erich Honecker contributed to it for many

years (the expatriation of Klaus Biermann in 1976 represents a break). And didn't he fail because of the increasing gap between one's own subjective wants and the critical intensification of the system for which he saw no alternative and with which he identified for such a long time—an admonition for us?

He who wants an awakening and a real turning point must create other different and higher socialist development structures. So, the issue is now no new gifts, but the power to participate in politics with an equal voice. Not irresponsibly demanding more new gifts from above, but the attainable right to take things in one's own hand, to think with his own mind and to say what he thinks. No helter skelter repairs and hasty reforms but inclusion of the people in removing the worst disgraces and targeted political and legal reforms that make us collectively docile and that permit us to understand our society at all and to find the turning point in public discussions and political battle strategies—that is what we must jointly fight for. And we in the SED must start with ourselves.

## POLAND

### Distinctions Between 'Reparations,' 'Restitutions' Analyzed

90EP0199A Frankfurt/Main FRANKFURTER  
ALLGEMEINE in German 27 Nov 89 p 16

[Article by Professor Rudolf Dolzer: "Compensation for Forced Labor? There Is No Legal Basis for the Polish Demands"]

[Text] In talks in recent weeks, the Polish side has brought up the question of compensation for Polish forced laborers during the war; a sum in the billions was named. The Polish demands on Bonn are not new. They were presented in 1972, for example, by the Polish prime minister at the time.

Within the framework of claims under international law, the Polish demands involve the general area of war compensation that the vanquished nation must pay the victor in agreement on the conditions of peace in accordance with the recent practice of states. In the treaties after World War I, these claims were designated as reparations in the sense of indemnification. This terminology also prevailed internationally after 1945.

In Yalta in February 1945, America, England, and Russia were in agreement that Germany must make reparations after the end of the war. They were primarily not to be money payments but payment in kind. In Potsdam in August 1945, the victorious powers agreed that the reparation claims of the Soviet Union were to be satisfied through withdrawals from the zone occupied by the Soviets and through German holdings abroad. The Soviet Union was supposed to satisfy the Polish reparation claims out of the Soviet share. In January 1946, the victorious Western powers came to an agreement on the distribution of the West German reparations. It was set

forth in this accord that the set of agreements was not a final settlement of the German reparations but that this must be postponed until the conclusion of a peace treaty with Germany.

There are no reliable figures on the amount of the reparations made by Germany through 1954 but these reparations were considerable in terms of Germany's economic state at the time, especially in the eastern part of Germany, where the Soviet Union took rigorous measures. In the so-called Transition Agreement between the FRG and the victorious Western powers in 1954, it was again set forth that the question of reparations could be definitively settled only through a peace treaty or through a special agreement of the FRG with the allies. The London Treaty on Debt in 1953 also deferred the question of reparations. This treaty expressly speaks both of claims by the states entitled to make them and of claims of individual persons against Germany. The London Treaty on Debt also includes a clause under which this treaty is to be reexamined after a reunification of Germany to a certain extent.

As for the Polish demands, the Soviet Union entered into an agreement with Poland in August 1945 in accordance with the results of Potsdam under which the Soviet Union transferred to Poland certain assets located in the territory of the eastern German regions now part of Poland; the treaty dealt with German property, German investments, German industrial enterprises and German transport operations. In addition, the Soviet Union promised Poland 15 percent of the reparations specified for it from the German occupation zones in exchange for coal shipments from the eastern German regions. There are no precise figures on the size of Soviet payments to Poland. In this connection, the confiscation of German assets by Poland after 1945 should also be pointed out.

In 1953, in agreement with Poland, the Soviet Union made a binding declaration to the GDR that Germany is free of having to pay state postwar debts to the Soviet Union. After the signing of the Warsaw Pact, Poland confirmed to the Federal Government in December 1970 that this formulation applied to all of Germany. Thus it is clear that today Poland does not have any legal claim against the FRG for further reparations. For this reason, the Polish Government does not characterize its demand for compensation for the forced labor of Polish citizens as reparation claims but as claims for restitution.

This terminology relates to the practice of the FRG of making special payments to those persecuted by the Nazi regime on the basis of the Federal Compensation Law. A corresponding agreement was first signed with Israel in 1952 but by 1964 also with 11 West European states and with Austria. Germany has paid Poland about DM100 million for harm done to victims of pseudo-medical experiments in Nazi concentration camps. The FRG has paid Poland more than DM1 billion in annuity and accident insurance on the basis of an agreement in 1975;

to be sure, these payments were not designated as reparations but were in connection with the war years.

Thus, the Polish demands now being presented for compensation for forced labor have no basis that could be supported by an agreement valid under international law. The agreements between the Soviet Union and Poland in 1945 as well as Poland's renunciation of reparations from Germany in 1954, as confirmed to the FRG in 1970, related to all categories of reparations. In accordance with the recognized terminology, the concept of reparations relates both to the claims of states as well as to the claims of individual citizens. The German practice of compensating third states has not changed this legal situation in any way.

It is also necessary to point out the strict delimitation of the facts for which the FRG has made restitution; the Polish demands go beyond these facts. Article 8 of the London Treaty on Debt states that in the case of reparations the FRG may not differentiate with respect to the treatment of third states. Poland relies on the fact that it has not ratified the London Treaty on Debt. From the point of view of the FRG and its treaty partners, however, the London Treaty on Debt is to be understood as meaning that all affected states, including those not participating in the treaty, are to be treated the same. For the FRG, therefore, it is still necessary under the London Treaty on Debt that there be no special settlements with individual states. The reference to this legal situation is also significant because Yugoslavia and Romania have raised similar demands.

#### **Presidential Press Spokesmen on Office Staffing, Foreign Policy**

90EP0164A Warsaw TRYBUNA LUDU in Polish  
20 Oct 89 p 2

[Press conference with Michal Janiszewski and Wlodzimierz Lozinski at the "Interpress" Press Office on 19 October, compiled by Ewa Malek]

[Excerpts] Rumors were circulating that around 400 people were going to work in the Chancellery of the President of the PRL.

"Nothing of the sort," maintained minister Michal Janiszewski, chief of the Chancellery of the President, at a press conference in the Press Office "Interpress" on the 19th of the month. The chancellery—the Executive Office of the President—employs 226 people "and no more," he maintained. Office workers are appointed in order to facilitate for the president the execution of the functions and duties entrusted to him.

Minister Janiszewski recalled that the office of the president, in its constitutional, synthetic conception, allots to him the role of chief guarantor of the Polish *raison d'etat*. For, among other things, he is charged with watching over the state of legal compliance; he is entrusted above all with the care of our sovereign existence and national dignity; he is positioned as the highest

representative of the Polish state in internal and international relations. He simultaneously bears the duty and responsibility for the exercise of supreme management in matters ensuring the defense of the country as well as the stability and security of the state.

The presidential office is consequently obliged to also act in the name of social peace, order, and understanding. This contributes to an atmosphere of constructive, pluralistic cooperation, which is indispensable to the rebuilding of the economic and state structure in a way that is profound yet evolves in accordance with national interests as well as the principles of social justice.

These are duties of fundamental significance and of service with respect to the nation and the state. The president is determined to execute them consistently and prudently, pragmatically and impartially. This is corroborated by his activities of the past three months. On the 19th exactly that period had passed since the election.

Minister Janiszewski also spoke of many other duties and capacities of the president, including a range of procedures regarding legislation and ratification, the creation of certain state cadres, supreme power over the armed forces and chairmanship of the Committee for National Defense, the oversight of the national councils, the supervision of elections, the bestowal of decorations and titles, the application of the right of reprieve, and so on and so forth.

The majority of them are tasks which earlier belonged to the Council of State (but not all of them, because part had been assigned to other organs and part had been abolished). The remainder originated along with the Office of the President. The specifications of the sphere of activity entrusted to him—formulated in 62 laws in addition to the Constitution—are on the whole more extensive than those previously belonging to the Council of State, not to speak of their incomparable authority and character.

The complex of tasks bestowed on the president creates a new configuration of the capacities of the head of state. Their explicit delimitation along with the offices of such organs as the Sejm, the Senate, and the government allow for protection against both duplication and conflict.

The president evaluates positively the state of cooperation with the chairman of the Council of Ministers. These are good signs and the first, favorable steps on the road of a great experiment. The gathering of further experience in this cooperation will allow for the optimization of its procedures and the enrichment of helpful working relations. In particular, Minister Janiszewski stated that as a result of the conversation of the president and the premier on Wednesday the 18th, working cooperation between the Chancellery of the President and the Office of the Council of Ministers should also develop.

Teams have arisen in the Chancellery to analyze and forecast, among other things, the administration of justice, law, and the national councils. The president

availed himself of his right to appoint ministers of state and entrust them with the execution of certain duties. We already have the first minister of state. The appointment of the next two or three persons to these positions have also been announced. Who will they be and what will they do?

Neither Minister Janiszewski nor the president's press secretary, Włodzimierz Łoziński could yet give answers to these questions.

Among other things, it is the intention of the president that the personnel of the ministers of state enter into a pluralistic arrangement of the main political forces.

Why does one still see so many people from the former establishment around the president?

Who in the end is responsible for, for example, foreign affairs—the president or the minister of foreign affairs?

Should not the president as representative of the entire nation be "apolitical," that is, should he not break from the membership of the PZPR [Polish United Workers Party]?

Answering these questions, the press secretary said that many of "the president's people" are highly qualified, experienced politicians. For example Józef Czyrek, an experienced diplomat, was the chief negotiator of the understanding between Poland and West Germany in 1970. The situation in Poland has changed. But foreign policy does not change from day to day and that is why Józef Czyrek, for example, can give aid to Krzysztof Skubiszewski among others. The principle of cooperation between them, which serves the interests of the state, is being observed, and one can not speak about rivalry or competition between the Chancellery of the President and particular ministries, because their capacities are constitutionally defined.

As for the membership of the president in the PZPR and the possibility of his resignation from membership, W. Łoziński testified that, as in the case of judges, there are no legal regulations in Poland that would set up such a requirement for the people fulfilling these functions. He also does not believe that belonging to the PZPR would make it difficult for the president to execute his duties, as has already been proven after all, or make any kind of problem. [passage omitted]

There was no lack of questions from the area of foreign policy. The first were for an opinion regarding the process of German unification.

From the point of view of historical fact, the existence of two German states is a European reality. It is not a matter here of not perceiving the unification process. It is a matter of it taking place in accord with other processes arising in Europe. The German problem is, of course, with regard to history and the immediate region, also the problem of Poland, but let's not forget, that this is a problem above all of four powers. We, for our part, want the process of unification to be the problem of the



German states themselves; we want historical conditions to be respected in this process; and we want it to not cause conflicts in Europe or conflict with Poland.

"What was the reaction of the president to the resignation of Erich Honecker and the election of Egon Krenz?" asked the next question.

"The president," replied W. Lozinski, "would like to emphasize the contribution of the previous leader of the GDR's Council of Ministers. Our relations have developed favorably. It resulted in the opening of borders, the exchange of work crews, youth groups, and the favorable solution to the Pomeranian Bay problem. In the wake of the change of function of the party general secretary, it may also be that a new leader of the Council of Ministers of the GDR will be appointed. If that does come about, it will meet with congratulations and wishes for the further favorable development of relations between our countries. It is our desire that that change would well serve the GDR itself and suit the interests of Europe in general."

Wlodzimierz Lozinski stated also that the current processes arising in Europe favor the overcoming of the mistrust between the blocs of states that has existed up until now. In the present situation, the Polish initiatives, such as W. Jaruzelski's arms reduction plan, have a chance of succeeding.

Question: Does the press secretary agree with the opinion of Stefan Kisielewski that "President Jaruzelski is aiming at Wawel and he may succeed," the press secretary commented with a laugh that for years he has prized the writing talent of "Kisiel," his column, and his "original thoughts."

#### **Internal Affairs Weekly Quoted on Poor Morale in Ranks**

90EP0163A Warsaw LAD in Polish  
No 37, 10 Sep 89 p 16

[Article by Jacek Maziarski: "Disgruntlement"]

[Text] The illustrated weekly of the Ministry of Internal Affairs "In the Nation's Service" is basically a magazine of second circulation, that is, it does not appear in kiosks, one has to obtain it from reliable distributors. From time to time, however, there are exceptions. "In the Nation's Service" publishes special issues distributed in the normal way through "Ruch." Just such a special issue (7, 1989) recently landed on my desk. I read it, one must understand, from cover to cover, because just as the department is interested in me, which it has proven many times, I should likewise dedicate a little attention to its achievements and worries—perhaps even especially to its worries, because it follows from reading the magazine that the Ministry of Internal Affairs is grappling with problems which it presents to society with complete openness.

The problems depend on the fact that among functionaries are spreading "frustration," and also "disgruntlement which is currently making itself known in many

departmental units" (p. 4). The pay is meager, the work hard, and people do not much want to work "in a profession that does not enjoy respect, prestige, or recognition, but plainly arouses contempt in a significant segment of society" (p. 13). It comes down to this, as one of the policemen maintains, "the psychological aspect: they bow to the doctor but they spit at me" (p. 4).

To ordinary citizens it seems that there is a little too much police in Poland, but from the pronouncements of competent officers a different picture emerges. For example, Lieutenant Colonel Jerzy Zyzelewicz, director of the Precinct Office of Internal Affairs, Central Krakow, maintains that in his district it would be necessary to increase the number of functionaries by 600 percent (!); he believes that 690 policemen in central Krakow would be just right. If other bureau chiefs of internal affairs calculated similarly, I suppose it would turn out to be necessary to liquidate the Polish Army and transfer all the soldiers to the police, and if that did not suffice, there are still the universities . . .

But why, really, are functionaries falling into disgruntlement, succumbing to frustration, and finally leaving? I found an attempt to explain this in the report "What are they talking about in Otwock?" The head of the Political Executive Office of the Ministry of Internal Affairs, namely Major Slawoj Kopka, came to the policemen of Otwock to hear what the functionaries had to say. (The ministry's magazine informs us of an unusual innovation: "The formula that had previously been obligatory, according to which only one side communicated out loud, was changed.")

Maj Kopka not only listened to the policemen, but even answered their reported doubts. Among other things he maintained that the opposition bears the guilt for the excessively low authority of the police: "The depreciation of the functionary's profession and especially of his image in society are the results of the political struggle that has continued up to the present day. Attacks on our department are, so to speak, vicarious actions and simultaneously a strike at the link that was always the instrument of power. . . . We are 'beaten,' because we always defended the policies of the party regardless of the mistakes it committed."

I do not know whether that convinced the policemen of Otwock, but I for one still have doubts. After all, it has not been long since there were none of these "attacks on our department," as Maj Kopka calls them, or what I would prefer to call fuller information and normal criticism. It is well known that the department of internal affairs was treated as a sacred cow—and woe to whoever dared blurt out even a timid criticism of a functionary. Was it like that or not? Of course it was, and even so the prestige of the police was not at all higher than it is now. After all, research exists which was conducted over at least the last ten years on the prestige of particular state institutions—the police have occupied without change last place, close behind the party and far below the district attorney and the courts.



And why does society treat the organ of order, speaking in the most delicate manner, with mistrust and reserve? Chief Kopka himself mentioned the real reason: "We always defended the policies of the party regardless of the mistakes it had committed." There it is! The department which places itself on guard over the mistaken policies of the party, perhaps cannot expect respect or sympathy, that is clear. It is not the opposition that is guilty, but those mistakes, and if there had not been any, there would not be any of those 'attacks' that irritate Maj Kopka so.

I was surprised that in the report from Otwock there was not a single sentence about the fact that the department perceives the necessity of putting the police on a new track, because apparently the time when the police simply had to "defend the policies of the party" has irrevocably passed. In contemporary Poland, which is more and more pluralistic, the police fulfilling the role of guard of the PZPR [Polish United Workers Party] is an obvious anachronism, the relic of an epoch which is finished and has lived to see its own damnation. Poland now needs a state police that will protect the law, not the interests and mutable decisions of just one political grouping. Do we want it or not for more and more people to raise loudly the question—in the parliament as well as in the press—why do our police identify with the PZPR and vow loyalty to that party and not, say, to the ZSL [United Peasant Party]? I fear that with each passing day it will become more difficult to answer that question.

The reading of the weekly "In the Nation's Service" convinced me that the police are still being educated according to patterns that are more than a few decades old. It is constantly treated as a continuation of the party, at the very least the selection of the command cadres and the addressing of superiors as "comrade" testify to that. This of course leads to social effects. If someone does not identify with the communist party (and there are after all a fair number of such people in Poland, probably the majority . . .), he will not identify with the police, who do everything in order to present themselves as uniformed members of the PZPR.

No country in the world can allow itself to tolerate a situation in which a large part of society distances itself from the police and does not see in it an institution of the state as a whole. This ruins legal order and, as it turns out, also influences the functionaries' sense of well being. For ideological commitments, with which not everyone wants to be reconciled, spread the party colors of the police force on the people working in it. During the meeting at Otwock, it was certainly possible to hear the echoes of the discord experienced by functionaries. At the very least, the following pronouncement of Maj Kopka attests to that: "We are operating under the assumption that there can be no reprisals against religious practice, but we cannot allow the demonstration of clericalism. However, I am surprised and even indignant at voices of the type: 'when will we be able to go to church legally?' Yet as a matter of fact we have been as a rule restrained in these matters . . ."

This is an answer which—to maintain the style of Maj Kopka—may cause one to be surprised and indignant. The simple question of when a policeman, openly and in uniform, will be able to take part in holy mass, to get married in a church, or to baptize his child, which in the end is the constitutional right of every citizen, is answered with ambiguous opinions, which not only do not dispel uncertainty, but even seem to uphold the department's old line. For what does it really mean: "we cannot allow the demonstration of clericalism"? I do not know how Maj Kopka defines clericalism, but I would like to hear a concrete answer on whether a policeman can in 1989 have a church wedding in his own parish and not as before incognito in some out-of-the-way village. Would Maj Kopka call the participation of a uniformed officer in holy mass clericalism? I greatly fear that that is exactly how it is interpreted in the internal affairs department, for as I live, I have not seen a uniformed police officer at a church service.

I daresay that this is an absurd policy and harmful to the interests of the department, because we live in a country where social ties manifest themselves, among other ways, in the form of religious ceremonies. If the employees of one department demonstrate one hundred percent absence, this must give rise to the opinion that this is an excluded group. In that way a climate is created which then makes the life of these very policemen difficult, discourages them, and deprives them of social support. It is very possible that the attitude of a number of Poles with regard to the police would change for the better were it possible, after the call of the priest to "pass on to one another the sign of peace," to shake hands with a functionary of the MO [Citizens Militia]. Unfortunately, for the time being there is no one to shake hands with, and probably it will stay that way, as long as education within the department of internal affairs remains the business of people of Maj Kopka's mentality.

In all sincerity, I think that it is not the opposition, but the politico-educational section that bears the main responsibility for the frustration of the police upon whom was imposed a system of values differing so widely from the convictions of the rest of society. The experiments had to end in defeat, and now living people are paying for that defeat.

## YUGOSLAVIA

### Croatian Political Views Expressed in Polls

#### Zagreb Residents Rate Leaders

90EB0086A Zagreb DANAS in Serbo-Croatian  
17 Oct 89 pp 10-12

[Unattributed article: "Hit Parade of Croatian Politicians"]

[Text] A research team of political science students from the School of Political Science at Zagreb University attempted under contract with DANAS to answer the questions of what kind of support each of the three

candidates nominated for chairman of the Croatian League of Communists [LC] Central Committee has with the public in Zagreb, why people decide to vote or avoid voting for these three, do the citizens feel that the best candidates have been nominated for party office in Croatia, how much do they actually know about them, do they care who will be chairman of the Croatian LC Central Committee, and what is the popularity at the moment of leading politicians in Croatia and of those political figures who have now retired?

Testing a sample of 434 citizens of Zagreb immediately before the secret vote of LCY [League of Communists of Yugoslavia] members concerning their future officeholders, this five-member student team (consisting of Goran Beus, Dejan Jovic, Ines Lovric, Milica Sundov, and Gordana Skalcic) put questions which still have not been very pronounced or have been inconsistently expressed in our political practice. By contrast with Slovenia, where political marketing has become strongly established over the past year, in Croatia there still have been no rapid and up-to-date surveys of public opinion concerning the topical issues of everyday politics, and the very fact that the opinion survey was taken a few days before the election is itself an innovation.

The researchers' attention was directed toward a sample which does not fully represent all citizens of Zagreb, but is representative in reading the opinion of its "specially interested" citizens. This is a sample, that is, which embraced certain very important institutions in the fields of politics, information, and science. The respondents included members of the republic conference of the Croatian Republic Conference of the Socialist Youth League, journalists in the Vjesnik Publishing House (the editorial staffs of ARENA, START, VJESNIK, and VECERNJI LIST), students of the schools of law, economics, and philosophy at Zagreb University, citizens who participated in the demonstrations in favor of setting up once again the monuments to Ban Jelacic in Zagreb, employees and officeholders of the Zagreb City Assembly, employees of the Social Accounting Service, and a group of citizens randomly selected in several stores, apartments, and streets of Zagreb.

In the total sample of respondents, 29 percent are members of the LCY, which has particular importance, since they are the only ones taking part in the secret vote for offices in the Croatian LC which was held just a few days later.

Emphasizing that they were aware that the results obtained could not be altogether precise as to the final results of the election to party office in Zagreb, the team of researchers mentioned that the results of the survey would nevertheless help in rounding out a view of political attitudes and the balance of political power in the essential institutions of the system that function in the capital.

In answering the first question that was put, the respondents were put in the position of a member of the

Croatian LC Central Committee who must decide which of the candidates for chairman of the Croatian LC Central Committee to vote for. The results show that Ivica Racan received 2 percent more votes than his nearest opponent Ivo Druzic. Ivan Babic, the respondents feel, is an outsider, and it can be forecast with near certainty that he will drop out of the race for chairman after the secret ballot.

#### Official Candidates

If you were able, who would you vote for in election of the chairman of the Croatian LC Central Committee?		
a) Ivan Babic	14	3.23%
b) Ivo Druzic	121	27.88%
c) Ivica Racan	130	29.99%
d) None of the above	115	26.49%
e) I do not care who becomes chairman of the Croatian LC Central Committee	54	12.44%
Total	434	100.03%

Although the survey did not specifically go into it, the question remains of whether Babic's candidacy was a formality determined in advance to be unsuccessful. Aside from the interesting fact that in this sample Ivo Druzic (by contrast with certain overbold assumptions of his having a marked advantage in the city where he had been youth president and party chairman) remained only a few votes behind Racan, it is also quite interesting that a very high percentage of people said that they did not care who would be chairman of the Croatian LC Central Committee. In the total sample, this proportion is all of 38 percent, which exceeds the percentage of declarations in favor of either of the two leading candidates. This high percentage of "dissatisfied" and "uninterested" citizens can certainly be interpreted in terms of the negative attitude which the respondents have toward all the candidates offered, and sometimes even as dissatisfaction with the totality of the political action and the results of the Croatian League of Communists in recent years. The data are also interesting because this particular vote was considered a marked democratic departure from the election tradition up to now, and it was expected that there would be fewer reasons for dissatisfaction with the candidates and the election procedure. Finally, this was also indicated by the opportunity for the participants to nominate their own candidates to party office.

It can be ascertained from the results of the survey that in the elections in the Croatian LC the decision would be made precisely by that category of the membership which up to now has not taken a position since the difference between the two leading candidates was very small. For example, among respondents who are members of the LCY the difference was about 0.8 percent to the advantage of Ivo Druzic. That is, whereas Racan was the leader in the total sample, Ivo Druzic won by one vote among members of the LCY. This datum can also be relativized when we realize that Druzic won a marked

victory among delegates to the Croatian Republic Conference of the SSO [Socialist Youth League] (40 percent and 20 percent, respectively), all of whom were not from Zagreb. But still, often the attitudes of youth organization officials toward official politics have been excellent indicators of the disposition of those structures which they served as "conveyors of ideas." Whereas Druzic received slightly more votes among students in the School of Economics (where he is an instructor), among employees of the SDK [expansion not given] and citizens who demonstrated for return of the monuments to Jelacic, Racan was the winner in the Vjesnik Publishing House, in the Zagreb City Assembly, and among students of the schools of philosophy and law. He was preferred by men (by slightly more than 4 percent), while Druzic led by 1 percent among women. But the latter had a lead of about 5 percent over Racan among those who could potentially vote for him.

In general, the men proved to be slightly less resolute and more indifferent than the women (43 percent of the men and only 32 percent of the women did not wish to vote for any of the candidates or said that they did not care). This is certainly yet another piece of evidence to support the assertion that a high percentage of those who belong to the Croatian LC (and perhaps even to its leadership bodies, which are made up mainly of men) will not be able to make a simple choice in favor of one of the candidates.

Although the average age of the respondent in the sample was only 32 years, both those who favored Druzic and those who favored Racan were slightly younger than that age, but it is also worthy of attention that younger respondents were more resolute in refusing to favor one or the other candidate. This datum certainly will not be pleasant to leadership bodies of the Croatian LC, especially if in analyzing that fact one takes into account that the First Conference of the Croatian LC selected precisely the attitude toward young people as the first item for discussion.

The respondents were asked why they chose a particular candidate or why they did not want to vote for any one of them? The results showed that the most frequent grounds for voting or not voting were past results in politics and originality of political presentation. Education and speaking ability were somewhat less essential, experience was still less important (one might even say that it was more a negative element, since 55 percent of the respondents said that the candidates' political experience did not affect their choice), and personal acquaintance (8.5 percent) was least in favor (put last by 26 percent of the respondents). Although it can be said that the question on reasons for choice caught many respondents unprepared, the answers demonstrated above all that people were not certain or even did not know why they were favoring or opposing someone (since there was no marked characteristic associated with just one candidate and not associated with any other), still there were some differences in reasons for choosing between Druzic's and Racan's adherents.

Whereas all of half of the total number of Druzic's voters felt that their candidate's political experience did not essentially affect their choice, 60 percent of those in favor of Racan felt that his experience was very or somewhat essential. Yet on the other hand the former said that originality in public presentation was Druzic's main characteristic, and it decisively affected the choice of all of 59 percent of them. Druzic fared better in the assessment of the candidates' external appearance, since 46 percent of his adherents even voted for him for that reason, while this element was essential to 21 percent of those who chose Racan.

Thus, the results confirmed the hypothesis that those characteristics of candidates which have often been "hidden" in our political analyses and which have been felt to have nothing to do with the popularity ranking of politicians did nevertheless leave a certain (not negligible) trace in people's consciousness at the moment when they circled or skipped over a name. It might be said in general that Druzic left a somewhat stronger impression in those people who voted for him, as shown by the higher percentages in those columns that indicate that certain of these characteristics had a strong influence on the final result.

#### Are They the Best?

In your opinion are those nominated the best candidates at this point?

a) They are the best	89	20.51%
b) They are not the best	203	46.78%
c) They are all equally able	70	16.13%
d) I know nothing about the candidates	72	16.59%
Total	434	100.01%

The results of an analysis of responses concerning the candidates' attributes and also concerning how well citizens are informed about these three politicians are disastrous, but they could have been foreseen. That is, only one out of every five of the respondents says that the candidates nominated for the highest office in the Croatian LC are the best, and twice as many say that those on the slate are not the best that could be offered at the moment in the Croatian League of Communists.

Neither Druzic's nor Racan's potential voters are altogether convinced of the quality of the candidates in general and therefore not of their choices either. Those who would vote for Ivo Druzic expressed their dissatisfaction in slightly more than 35 percent of the responses, while all of 47 percent of the respondents "on Racan's list" were not satisfied with the three candidates offered. Here again, then, it turns out that the respondents chose Racan more on the principle of eliminating the others and more because of dissatisfaction with the others. Incidentally, that was also the case in last year's election when he ran against Suvar. It turned out that none of those who said that they did not care who became



chairman of the Croatian LC Central Committee felt that the candidates nominated were the best, and 30 percent of them thought that they certainly were not. This confirmed the assumption that the circling of the letter in front of the response "I do not care who becomes chairman of the Croatian LC Central Committee" is more an expression of dissatisfaction reluctant to express itself clearly than of the perception that the candidates nominated are equal in ability and quality.

It is interesting that precisely half of the respondents who are party members feel that these three candidates are not the most appropriate. This certainly will have to disturb those who are convinced that a procedure that has included more candidates and more open nomination has finally brought the best qualified party members to the top. Finally, the datum must also disturb those who must monitor the reputation and political power of the LCY, for which the fact that half of its members are not satisfied with their future chairman from the outset (regardless of which one of the three that might be) is not a favorable recommendation.

Although it is very likely that in a different sample there would be even more people who said that they knew nothing about the candidates, so that the result of 16 percent would be quite favorable for such respondents, in this sample (intentionally chosen for above-average interest in political events), that "only" 16 percent becomes "all of 16 percent." However, this indicates not only a certain share of people who are not interested, but also the relative failure of promotion through the media and direct transmission of meetings of the LCY Central Committee (which is where the two leading candidates frequently improved their scores), as well as the quality of political information that has a bearing on the shaping of political attitudes.

Finally, this dissatisfaction with the candidates nominated could be a strong motivation for LCY members not to take part in their own organization, which certainly will have an effect on the results of the vote of the party membership on leaders of the Croatian LC.

#### Other Possible Candidates

So, which candidates, which politicians, would the respondents like to have seen on the ballots containing the names of possible chairmen of the Croatian LC Central Committee? The answer to that question was sought indirectly—with a question about the popularity (a choice of voting or not voting for the candidate) of certain past and present leading politicians in Croatia. There were 12 people on the list, classified into several types of politicians. Along with the government officials (Andjelko Runjic, Ivo Latin, and Stipe Suvar), the respondents were asked about their attitude toward the present party leadership of Croatia (Stanko Stojcevic, Drago Dimitrovic), officials of the Croatian LC in the LCY leadership (Marko Lolic), former leaders of the Croatian LC who are now in some other political organization (Marijan Kalanj), the older generation of retired

politicians (Jure Bilic, Jakov Blazevic, Josip Vrhovec), and the list also included Goran Beus, a youth organization leader relatively unknown to the broad public, in order to see what results would come from a test for anonymity.

#### 3. If the following candidates were on the list for chairman of the Croatian LC Central Committee, would you vote for them?

(in percentages)

	Yes, I Would	No, I Would Not	Don't Know	Difference Between Cols 1 and 2
Andjelko Runjic	29.14	41.58	29.28	-12.44
Stanko Stojcevic	6.70	55.91	37.43	-49.21
Drago Dimitrovic	25.14	38.14	36.72	-13.00
Stipe Suvar	25.03	48.99	25.98	-23.96
Ivo Latin	25.36	43.09	31.55	-17.73
Marko Lolic	6.30	42.82	50.88	-36.52
Marijan Kalanj	11.62	44.60	43.78	-32.98
Jakov Blazevic	4.49	57.84	37.68	-53.36
Branko Horvat	34.80	27.02	38.18	+7.78
Goran Beus	9.03	37.25	53.72	-28.22
Jure Bilic	6.19	51.72	42.09	-45.53
Josip Vrhovec	48.04	28.37	24.45	

If we analyze the results for all respondents, we can conclude that there is no confidence in any of these categories nor in any of these individuals. That is, not only did none of these politicians receive the vote of even 30 percent of all the respondents, not a single one had a positive result if those who would vote for them is compared to those who would not vote for them. The only person who managed to come out "on the plus side" was Branko Horvat. He would receive the vote of 34.8 percent of the respondents, 27 percent would be against him, and 38.2 percent had no position. Thus, the only person offered who is a representative and high official of some other organization (the UJDI [Association for a Yugoslav Democratic Initiative]) would get the highest percentage of the vote of all the distinguished politicians in Croatia. Since Horvat is also distinguished as a member of the LCY Central Committee (following the debate in the last meeting of the Croatian LC Central Committee), it can almost be forecast with high certainty that he would have a high number of voters in Zagreb.

Before we analyze the resulting ranking of the population of politicians at the moment in this specific sample, we must point out the markedly high percentage of people who said that they had no attitude toward certain of them, although they are "bombarded" almost daily by their statements and actions. Except for Goran Beus, who is an unknown candidate (he nevertheless had a minus of 28.22 percent), no justification can be found for any one except that they are not clear enough and have been poorly presented to the political public. This is certainly indicated by the data to the effect that Stipe

Suvar is a person on which the fewest people have an attitude, and he is followed by Josip Vrhovec and Andjelko Runjic. The leader in this kind of neutrality (except for Beus) is Marko Lolic, since nearly 51 percent of the people have no attitude toward him, Marijan Kalanj is in second place, and Jure Bilic in third (43.8 and 42.1 percent, respectively).

Finally, the leader of all the candidates offered was Branko Horvat (+7.78), second was Andjelko Runjic (-12.44), third Drago Dimitrovic (-13), fourth Ivo Latin (-17.73), fifth Stipe Suvar (-23.96), sixth Josip Vrhovec (-24.45), seventh Goran Beus (-28.22), eighth Marijan Kalanj (-32.98), ninth Marko Lolic (-36.52), 10th Jure Bilic (-45.53), 11th Stanko Stojcevic (-49.21), and 12th Jakov Blazevic (-53.36).

The results, then, show that the old party officials fared worse than the younger ones, and that the former leaders (except for Josip Vrhovec) and the present head of the Croatian LC Central Committee achieved particularly poor results. They show large differences in the perception of politicians from one particularly interested group to another, groups assumed to have a better insight into those events "behind the scenes" which sometimes remain far from the eyes of the public. All the more reason why this result should be a signal to leading people in the republic to be more seriously concerned about analyzing their own positions before the elections to party office (this year) and government bodies (next year). That is, there is more than an incentive for that in the datum that the distinguished leader of the UJDI received 25 percent more votes than the head of the party.

It is interesting to see what Druzic's and Racan's "voters" think about the "alternative" slate offered. This is all the more important because of the very frequent remarks about "conditioned reflexes" in politics to the effect that voting

for one of these two candidates would also presuppose a quite definite attitude toward others in the "package."

Such assumptions prove in fact to be well-founded in certain of their elements. Druzic's voters have a favorable attitude toward Andjelko Runjic (+10), Drago Dimitrovic (+11.5), and Branko Horvat (+14.9). They are mildly negative toward Ivo Latin (-16.6), Stipe Suvar (-22.4), Goran Beus (-24), and Josip Vrhovec (-28.9), while they are markedly dissatisfied with Marijan Kalanj (-39.7), Stanko Stojcevic (-48), Jure Bilic (-54.7), and Jakov Blazevic (-56.3). All of 57 percent of Druzic's voters have no attitude whatsoever toward Marko Lolic, a member of the Presidium of the LCY Central Committee.

Just like Druzic's, so Racan's sympathizers have a favorable attitude toward Branko Horvat (+10.8) and Drago Dimitrovic (+10). A very high third place is taken by Josip Vrhovec (-5.3), followed by Andjelko Runjic, who obtained -6.1 here, a contrast with his showing with Druzic's voters. Fifth is Stipe Suvar (-9.2), sixth Ivo Latin (-13.1), and seventh Goran Beus (-19.3). Racan's voters put in the lower group Marijan Kalanj (-36.1), Marko Lolic (-37.7), Jure Bilic (-46.9), Stanko Stojcevic (-48.5), and Jakov Blazevic (-63.9).

Significant differences exist, then, between these two groups in their attitude toward Andjelko Runjic, on whom Druzic's sympathizers look considerably more favorably than Racan's. It is the other way about in the attitude toward Stipe Suvar, whom the "Racan people" value far more than do the "Druzic people." The two groups also differ greatly in their attitude toward Josip Vrhovec, who received the votes of 24 percent of those who chose Druzic and 38.5 percent of those who decided in favor of Racan. The first group gave more votes to Branko Horvat, and Latin, Kalanj, and Bilic did somewhat better with the second group.

#### Skeptical Members

#### 4. If the following candidates were on the list for chairman of the Croatian LC Central Committee, would you vote for them?

	Percentages of the Total Number of Members of the LCY Included in the Survey			
	1	2	3	4
	Yes, I Would	No, I Would Not	Don't Know	Difference Between Cols 1 and 2
Andjelko Runjic	26.19	42.06	31.75	-15.87
Stanko Stojcevic	15.87	53.97	30.16	-38.10
Drago Dimitrovic	39.68	30.95	29.37	-8.73
Stipe Suvar	27.78	49.21	23.01	-21.43
Ivo Latin	13.49	53.97	32.54	-40.48
Marko Lolic	8.73	45.24	46.03	-36.51
Marijan Kalanj	7.94	53.97	38.09	-46.03
Jakov Blazevic	3.18	63.49	33.33	-60.31
Branko Horvat	38.89	25.40	35.71	+13.49
Goran Beus	16.67	39.68	43.65	-23.01
Jure Bilic	4.76	71.43	23.81	-66.67
Josip Vrhovec	19.05	54.76	26.19	-35.71

But what is the popularity of those politicians among LCY members who were included in this survey? If we take only their responses into account, regardless of which of the three candidates they decided for, only Horvat (+13.49) and Dimitrovic (+8.73) had a positive outcome. And among party members in Zagreb, it seems, at least in these structures, Andjelko Runjic (-15.11) is third, and if we omit Goran Beus, he is followed by Stipe Suvar (-24.43). Members of the LCY, however, gave poorer grades as to the popularity of politicians than the others did. This datum is very indicative in assessing the situation in the LCY and in forecasting the future of the present political teams when the time comes that they are dependent on the votes of the members. This extremely critical attitude was also evident in the great failure of the other politicians among members of the LC who were included in the survey. Thus, only 4 members of the LCY believe that their vote should go to Jakov Blazevic, only 6 to the long-time party official Jure Bilic, and less than 8 percent to Marijan Kalanj and Marko Lolic, while only slightly less than 15 percent of the respondents favored a possible "extension of the term of office" of Stanko Stojcevic. Ivo Latin had a difference of -40.49 between voters and nonvoters and Josip Vrhovec -35.73 among the LCY members surveyed (and a large number of them are members of the Croatian Republic Conference of the SSO).

Although there has been no study of the public to confirm it, it is still almost certain that these elections did not arouse as much interest on the part of citizens as last year's election of the chairman of the LCY Central Committee from Croatia. First, because many prestigious party members refused nomination to party office, and then also because of the high percentage of dissatisfaction with the candidates offered (and that in those institutions which have particular influence on political decisionmaking and the public)—that fact ought to be a strong indicator of the attitude and level of prestige which individuals and organizations as a whole have at the moment—at the level of Zagreb.

In the situation when the party itself is saying that it is losing its grasp of power, and there is a demand for that process to be speeded up, this picture of the mood of the public is not really a very promising ticket to the political marketplace, nor is it a certain confirmation that the Croatia LC will be superior to its possible political competition.

Is this the reason, then, for what these past several years has been proscribed more and more as the monopoly of the party?

#### Intellectuals Polled on Issues

90EB0086B Zagreb DANAS in Serbo-Croatian  
17 Oct 89 pp 16-17

[Article by Dr Slaven Letica, professor: "It Will Stay the Same"]

[Text] Much the same as last year, the journal NASE TEME took up my initiative (and accepted my methodology) and conducted a survey of attitudes of Yugoslav scientists who took part in the round-table discussion "Analysis of Current Political Processes in Yugoslavia in the Framework of Political Science" (which took place in the School of Political Science at Zagreb University on 13 October 1989)—concerning the causes, character, and possibilities for overcoming the Yugoslav crisis. In conducting this survey, we were certainly aware of the fact that the pluralism (and relativism) of the theoretical convictions and values of the scientists who took part in the round-table discussion as individuals could hardly be reduced to the apodictic and/or metaphorical assertions offered by our questions. Nevertheless, in the series of attempts, usually unsuccessful, to "find a common denominator" in the scientific discourse concerning the crisis of Yugoslav society, our poll is an interesting experiment that affords an insight into the process of formation of intellectual attitudes concerning the causes, character, and prospects of the crisis of Yugoslav society.

Many well-known Yugoslav "crisologists" (mainly political scientists, but also economists, lawyers, and sociologists) took part in the round-table discussion: Dusan Bilandzic, Mirjana Kasapovic, Zdravko Tomac, Nikola Viskovic, Srdjan Vrcan, Radivoje Marinkovic, Ciril Ribicic, Ivan Siber (who chaired the discussion), Ivan Prpic, Dusan Bekic, Damjanovic, Dimitrije Mircev, Dag Strpic, Drazen Kalodjera, Ante Pazanin, Sreto Skaric, Branko Horvat, Radovan Pavic, and others.

The repetition of this survey (the content of several questions has been slightly altered) after a year's time should give an insight into possible changes in the attitudes of scientists. In presenting to participants in the round-table discussion the preliminary results of the survey as early as Friday, 13 October 1989, during the afternoon part of the program (I processed the results of the poll in the afternoon intermission with the help of the young political scientists Renata Demeterffy and Maja Medic), my colleague Nikola Viskovic-Splicanin posed the question of the "validity of the results" in view of the "type of sample." That is, he feels that the ethnic, regional, sexual, and professional composition of the scientists surveyed make the results questionable. Which certainly is the case. The attitudes of Yugoslav scientists concerning the crisis (especially political attitudes) are not usually positions in scientific theory, but a priori (and therefore also dogmatic) value judgments. Theoretical thought is not dependent upon the results of substantive scientific research, but usually adapts opportunistically and conformistically to interests, to "milieux," to political will, fears, and forebodings. Nevertheless, from my own personal acquaintance with the theoretical work and "moral physiognomy" of a large number of participants in the round-table discussion, I nevertheless believe that the value bias (i.e., untheoreticalness) of our ad hoc sample is minimal. Incidentally, any sample is a good one if its structure is given correctly. I will present

the results of our survey in the chronology of the questions that were put, and in the commentary I will cite the basic changes in attitudes from the poll conducted 13 October 1988.

The first question was put in this form: "Intellectual differences (in theory and values) in the conception of the fundamental principles and elements on which the

political system should be built in Yugoslavia are well-known. Among the principles and elements offered please circle all those answers (elements of a hypothetical political system) which best indicate your personal normative ideal of a desirable political system."

These are the results obtained:

Political pluralism	28	Political monism	0
Multiparty system	28	One-party system	0
		Nonparty system	5
Mixed property system	31	Social ownership	[*]
Centralization	3	Decentralization	18
Economic regulation through the market	29	Economic regulation through planning	1
Centralistic federation	2		
Asymmetric federation	8		
Consensual federation	21	Confederation (union of states)	7
Self-management	19	Workers control (participation)	14
Nonaligned foreign policy	15	Neutral foreign policy	13
		Aligned foreign policy	2
Socialist civil society	15	Civil society	11
Law-governed state	31	Socialist party state	0
		A state withering away	3
Free public	32	Socialistically controlled public	0
Direct elections	31	Indirect elections	1
Parliamentary system	29	Delegate system	0

[\* No number as published]

There is obviously a kind of consensus among the scientists concerning all the fundamental elements of the system on which the new political and economic system should be built. They are these: 1) political pluralism with a multiparty system, 2) mixed property system, 3) the market—economic regulation through the market, 4) decentralization (political and economic), 5) consensual federation, 6) self-management, 7) nonaligned or neutral foreign policy, 8) civil society (socialist if possible, but not necessarily), 9) law-governed state, 10) free public, 11) direct elections, and 12) parliamentary system.

Compared to the results of last year's survey, there are three evident changes in value and theory in the attitudes of the scientists: abandonment of the idea of "nonparty pluralism," greater inclination toward a neutral foreign policy, and greater inclination toward the development of a (conventional) civil society. In the period of the discussions and debates before the constitutional amendments, the results of our survey show that many conceptual conflicts are actually a myth. The idea of confederation which is supposedly "circulating in the west" (of Yugoslavia) received only 20 percent of the "votes" in the results.

Our purpose with the second question was to test what the scientists think "...is the probability that your normative

ideal of a political system will be realized over the next 10 years or so." The results which I give here show a marked pessimism on the part of our respondents: "Probability is negligibly small" was the opinion of 2 respondents; "probability is less than 20 percent"—11 respondents; "probability 21-50 percent" in the opinion of no more than 14 respondents; "probability 51-80 percent" was the estimate of 3 respondents; and "greater than 81 percent!" was the opinion of 3 respondents.

The third question concerned assessment of the character of the present crisis of our society. The position of a general crisis of socialism was absolutely dominant in the responses. Since the respondents were able to circle three answers, the total number of responses is greater than the number of respondents. Here are the results:

General crisis of state socialism and self-management socialism as historical projects	30
Structural economic crisis	13
Cyclical economic crisis	2
Crisis of the Yugoslav idea	17
Crisis of development strategy	18
General cultural crisis—global dislocation in the value system of the population	10



Compared to last year's results, it is striking that a larger number of respondents (9 last year, 18 this year) feel that the Yugoslav idea itself is in crisis.

The fourth question was put in this form: "Many studies, books, and discussions have been written about the causes of

the present crisis. They usually mention the factors given below as the causes of the crisis. Please circle two factors which in your opinion have key importance to the occurrence of the crisis." It is interesting and theoretically (and politically) relevant that not a single (!) scientist selected "constitution 74" as the key factor of the crisis. Here are the answers:

Constitutional reform of 1974	0
Erroneous current economic policy	5
Erroneous development policy	5
The country's borrowing abroad	1
General domination of politics and ideology over the economy	26
Incompetent political leadership	8
Inappropriate economic system	5
Political restriction of the freedom of scientific creativity and civil liberties in general	12

There is an almost consensual position, then, that the domination of ideology and politics over the economy (i.e., the party state and a political society) is the fundamental cause of the crisis.

The answers which certainly are of the greatest interest to the broad reading public (especially the politicized public) are those to the sixth question, which was phrased as follows on the questionnaire: "In 1989, the basic political strategies (options) for the government and legal system of

the future Yugoslav community gradually crystallized and took shape. In the table below we give eight different 'options' indicated by the metaphorical names by which those 'options' are known to our public. Please put an x in the column to indicate all those goals for which in your opinion each of the 'options' is actually (not declaratively) striving." In last year's poll, we tested the attitudes of the scientists concerning only two "options"—the Slovenian and the Serbian. This time, we offered the respondents seven "options" for theoretical evaluation.

#### Attitudes of the Scientists Concerning the "Options" and Their Goals

Characteristics/Functions/Goal	"Antibureaucratic Revolution" (Milosevic)	"Yugoslav Synthesis" (Croatian Leadership)	"Asymmetrical Federation" (Kucan)	"Battle for Yugoslavia" (Kadijevic-YPA)	UJDI <sup>1</sup>	Croatian Social Liberal Alliance (HSSL)	Slovenian "Opposition" <sup>2</sup>
Democratization—political pluralism	1	7	25	6	9	18	18
Modernization—government—administrative	5	8	19	14	6	9	14
Modernization—economic	3	13	20	6	1	6	11
Ethnocentrism/ethnic homogenization	24	1	10	0	0	8	18
Traditionalism	23	3	1	10	2	6	7
Ethnic rebirth	23	0	15	0	0	9	16
Egalitarianism	20	5	0	6	1	0	0
A strengthening of the Yugoslav community	2	10	12	20	7	4	1
Unitarianism	24	2	0	10	5	0	1
Separatism	5	0	1	0	0	1	13
Neo-Bolshevism	25	7	0	4	1	0	0
Debureaucratization	0	2	14	4	4	14	8
Individualism	0	0	14	5	8	18	14
Socialist orientation	4	14	16	13	6	0	1
Authoritarianism	27	3	0	16	4	0	0
Populism/nationalism	26	0	1	1	2	2	3
Political expansionism	25	1	0	1	2	1	1
Anti-intellectualism	19	4	0	10	0	0	0
New socialist reform	2	9	10	4	4	1	8
Ethnic hegemonism	25	0	14	0	0	1	3
Dictatorship	21	1	0	5	1	0	0
Anarchy	1	0	0	0	0	0	2

1. Association for a Yugoslav Democratic Initiative.

2. The term "opposition" applies to all the Slovenian alliances and movements operating within the Slovenian Socialist Alliance.



The attitudes of the scientists concerning the real goals of political organizations and movements (see the large table) indicate at least two conclusions.

First, that there are large differences in the degree of definition (and numerousness) of the attitudes—regardless of whether the attitude toward the various options is favorable or unfavorable.

Second, that certain options are seen in a mostly favorable light and others in mostly an unfavorable light.

Taking an author's liberty to classify these positions into three groups—"favorable," "neutral," and "unfavorable"—we can extract the following table of theoretical evaluation of the publicly recognized "options" for a "fourth Yugoslavia":

Option	Attitude			
	Favorable	Neutral	Unfavorable	Total
"Antibureaucratic revolution"	17	46	242	305
"Yugoslav synthesis"	53	3	34	90
"Asymmetrical federation"	130	16	26	172
"Battle for Yugoslavia"	72	10	53	135
UJDI	45	2	16	63
HSSL	70	15	13	98
Slovenian alternative	75	23	42	140
Total	462	115	426	1003

What does a quantitative analysis of the attitudes of the scientists concerning the "options" show? It shows, first of all, that the UJDI (it is going to be angry at me once again) and the "Yugoslav synthesis" draw the least theoretical attention. We might say that for the present these are the "pale options." Several descriptive comments were written about the Yugoslav synthesis: among them, two unfavorable ones: "utter stupidity" and "aside from the name, there is nothing to it." The four "options" which have the most distinct political and programmatic profile attracted the largest number of attitudes. For and against, of course. The "antibureaucratic revolution" fared the worst with the theorist, receiving only 5.6 percent of the favorable attitudes. Kucan's "asymmetrical federation" did best, with all of 75.6 percent of the positive attitudes. The UJDI and HSSL showed the next best theoretical ratings, each with 71.4 percent of the favorable attitudes. The "battle for Yugoslavia" received 53.3 percent, and the Slovenian alternative 44.1 percent. In order to clarify to the reader the meaning of the terms "favorable," "neutral," and "unfavorable," I must say that I considered the following to be constructive goals of the "options": democratization—pluralism, modernization, strengthening the Yugoslav community, debureaucratization, individualism, socialist orientation, and new socialist orientation. I considered "traditionalism" and "ethnic rebirth" to be "neutral."

The seventh question was put in the following form: "How do you foresee the outcome of the current political conflicts in Yugoslavia?" An absolute majority of the respondents selected the answer "Maintenance of the status quo: maintenance of a kind of balance of fear," 18 of them in all. The other 17 distributed their answers as follows:

A strengthening of democratic trends and political-democratic settlement of conflicts	6
Maintenance of the status quo: maintenance of a kind of balance of fear	18
Arbitration of the LCY based on the principle of democratic centralism	2
Other forms of administrative arbitration—intervention of the YPA	2
Disintegration of Yugoslavia; establishment of several states	1
Civil war, terrorism, violence	0

If the scientists (most of them political scientists) are well-informed about matters of the present and future, then we can be half-satisfied: there will not be any war nor military dictatorship, but neither will there be democracy.

## BULGARIA

### Norway's Largest East Bloc Cooperative Venture Detailed

36390109 Oslo AFTENPOSTEN in Norwegian  
4 Dec 89 p 13

[Article by Trond E. Jacobsen: "Big Contract in Bulgaria"; first paragraph is AFTENPOSTEN introduction]

[Text] Selmer Furuholmen Oslo A/S is now negotiating what could be the largest Norwegian project to date in an East European country. It concerns the building of up to seven luxury hotels worth about 1.5 billion kroner overall in the center of Bulgaria's capital, Sofia.

In the beginning, the Norwegian entrepreneur giant was interested in building a hotel on the coast of the Black Sea. Later, there was talk of two hotels, both of which would be located in the center of Sofia, and would be managed by the American Hyatt hotel chain. Now, the plans have been broadened to include up to seven five-star hotels, each of them with 1,000 beds and all facilities, in addition it will house a convention hall which can be rented out to foreign companies. The hotels will cost in excess of 30 million dollars each.

The background for the plans is that foreign companies have been invited to invest in real property in Bulgaria. In this connection Selmer Furuholmen was offered many central properties, among others an empty building just to the side of the national theatre, and another at Lenin Place in Sofia.

"We are very optimistic, but at the same time realistic. It usually takes time to get things done in Eastern Europe, but the cooperative spirit has been very large on the part of the Bulgarian authorities. The country's Minister of Tourism Zhuler is very interested in this project," says director Kjell Lovstad of Selmer Furuholmen.

If the project becomes a reality for Selmer Furuholmen, it will be financed by Eksportfinans A/S and guaranteed by GIEK (Garantiinstituttet for Eksportkreditt) together with the commercial banks. The guarantee side can be a problem in such matters, especially where it concerns such a huge amount, but according to Eksportfinans no one has experienced a default on a loan made to Bulgaria so far.

Bulgaria invites joint ventures and is very interested in western investments, but is naturally enough in the shadow of other East European countries where the political and economic reforms have been much more intense. For Selmer Furuholmen and Eksportfinans, Bulgaria is however not an untested market. Eksportfinans has had credit lines to Bulgaria since 1973, while Selmer Furuholmen has had contact and has made agreements with Bulgaria for the last 4 years. Selmer Furuholmen, in cooperation with Conform in Nittedal, recently built a factory which manufactures concrete elements in Sofia. Elements of the type that Selmer

Furuholmen used during the construction of the Sheraton hotel in Sandvika outside of Oslo can now be used in the building of luxury hotels in Bulgaria.

## CZECHOSLOVAKIA

### Success or Failure of Current Harvest Debated

90EC0077B Prague LIDOVA DEMOKRACIE in Czech  
20 Oct 89 p 1

[Article by Pavel Kacer: "The Harvest From Another Angle"]

[Text] Did this year's grain harvest in Czechoslovakia end up as a great success or a fiasco? Can we be satisfied with the full grain bins or is the grain not going to last us until the next harvest? Do we have to change the criteria for judging the results of our grain industry under the new economic conditions?

The questions, often very antagonistic, just stack up. How can it be otherwise when agriculture is itself undergoing an economic restructuring and as the first in line must adjust to the effects of the changed rules, relationships, and requirements. And everyone expects that the restructuring will be carried out in the department and that it will build up the appetite for change in those that follow after and free them up from any fears of the unknown.

Under such conditions the harvest work was anticipated with special curiosity. The talk out loud was of good prospects, possibly even a record in grain production, but that was wishful thinking, since everyone was dealing with a debt of 600,000 tons. After the harvest the agricultural enterprises had to return it to where they had borrowed the grain, that is, to the state reserves.

To date the accounts for the grain have not yet been closed because the corn production is not known. However, our farmers already know one thing: the exaggerated predictions of an extraordinary harvest were not fulfilled, but the grain production plan will be met and the grain producers will exceed it by a couple of thousand tons.

We can figure on 12 million tons of grain, which means that we achieved one of the highest harvests in history. The basic grains (less corn) exceeded the average yield per hectare of 4.8 tons. In the West Bohemian Kraj (5.69) and in southern Moravia (5.5) there were new records and only the Central Bohemians did not fulfill the plan. In central and eastern Slovakia and in northern Moravia they were below last year. For the first time more than nine tons of grain were harvested per hectare in one agricultural enterprise (JRD [United Agricultural Cooperative] Calovo, okres Dunajska Streda) and top growers in the south of Moravia recorded yields of more than eight tons in several places.

So many statistics, but they say nothing to us about whether we can or cannot be satisfied with the balance from this year's harvest.

We earlier expressed the opinion that our result could have been better. However, we lacked chemical resources for application at the proper time against fungus diseases, pests, and weeds. We thus voluntarily left part of the harvest to these enemies, possibly just the amount that we lack to balance the grain accounts.

Despite a good harvest of grain, even this time we are not able to fully satisfy our own needs. The shortfall lately is growing by 300,000 tons annually, thus before the 1990 harvests we will already be 900,000 tons of grain short. It is being demonstrated ever more urgently that we cannot succeed in feeding the number of commercial animals that we have from our own feed stocks and that the gap between crop and livestock production is constantly widening. We must therefore state that not even one of the most successful grain harvests is adequate to meet the increasing demands of our livestock production. How do we get out of this vicious cycle?

It is realistic to continue to figure on a growth in grain production only in the case where we will have sufficient so-called intensification inputs. The alpha and omega is top quality pesticides. We spend about 600 million convertible korunas from centralized resources for their importation for the CSR's needs, but that is still 300 million short of providing an adequate supply. The agricultural enterprises are trying to acquire hard currency through their own activities abroad and to make purchases outside the state financial resources. Despite this, however, one cannot count on a further sharp growth in yields. This brings us right up against the profit boundary, or rather beyond it, in expanding grain acreage. We devote over half of the arable land to it, more than is profitable from the production, economic, and ecological standpoints.

A solution presents itself elsewhere, however, on the meadows and pastures, in increasing the level of the still quite outdated grazing. We barely get a poor milk and meat production from our miserable silage and it is further complicated by disruptions in the animals' health. In place of high-quality bulk feeds, we often pour many grains which are scarce into the feed troughs. When our own supplies then run out, we have to go begging to the state bins.

Our livestock rearing suffers from poor nourishment. The grain consumption per 1 liter of milk amounts to 0.23 kg, which is the average throughout the republic and has no comparison in the advanced livestock rearing countries. We also cannot boast about three and a half kilograms of feed for swine to add a kilogram of weight.

Eng V. Kozel of the Institute for Cattle Breeding (JZD [unified agricultural cooperative] Slusovice) on a recent visit to the FRG visited a farm in Holstein. The owner keeps 700 milk cows there with a production of 7,000 liters of milk, which is just under 5 million liters per year.

Thanks to his own bulk feeds with a high nutrient content he consumes only 170 grams of grain per liter of milk.

At home, however, we have mainly animals in the barn with "low production, but abnormal consumption" which accounts for the high costs in producing milk and meat. Of course, it still remains a fact that we could rapidly beat the Holstein's records with modern nourishment of the milk cows and proper care of them. However, if we want to raise the barriers, we must start here.

It is an old truth, but one we still have not acted upon, that the grain reserves for us lie in the meadows and pastures. If we can get control of this problem, the 12 million tons of grain which we harvested this year will be more than enough. If, however, we do not get on with grazing, a grain production of even a million tons more will not save us.

## GERMAN DEMOCRATIC REPUBLIC

### Industry's Failings Detailed, Changes Proposed

90EG0071A Magdeburg VOLKSSTIMME in German  
4 Nov 89 p 3

[Interview with Otto Gennrich, director of the Hermann Matern Machine Tool Factory, Magdeburg by Rainer Lampe: "We Have Capable Workers, Knowledge, and Strength in the Plants—We Need to Remember This"; date and place not given]

[Text] [VOLKSSTIMME] After a round of talks in Berlin, Stefan Heym pointed out: "We shouldn't forget that the principal decisions are made by the workers and in the plants. The way they will shape the economy, that is the way socialism will turn out to be." Isn't this idea being neglected in all the discussions thus far?

[Gennrich] I agree that too little is being said about what is happening in the economy and what is going to happen from here on. The political crisis in our country, in my opinion, is mainly caused by the economic crisis. The fabrication of economic successes in the face of real stagnation and symptoms of decline in many places in the economy now demands its penalty.

[VOLKSSTIMME] You ought to be a little more specific about that.

[Gennrich] An example just from my field of responsibility: We must finally have the courage to say quite honestly with complete frankness that deep disproportions in the economy are the result of our backwardness in high technology in our readiness to apply it. A 32-megabit processor handed over on a silver platter won't help; we need a processor that we can install in our machine tools. The GDR machine tool industry meets the highest world standards for many of its products, but our computerized numerical controls are below the highest world standards, so that we have to import them at great expense to enable us to sell machine tools to the

nonsocialist world. We have shown what we can do as machine tool producers particularly in the Oschersleben pump factory. But that does not encompass all our knowledge and what we would like to achieve by far.

[VOLKSSTIMME] I am aware of the first hesitant steps for cooperation with Western partners.

[Gennrich] That is correct, the interest in such cooperation is very great on both sides and negotiations aimed in such a direction are now being conducted for our machine tool combine as well. I am very much in favor of using all economically justifiable paths to export more machine tools to Western countries, too, in place of food and consumer goods and high quality clothing.

[VOLKSSTIMME] These days the demand is made in many discussions for a change in the plants, in the work. How do you see the situation?

[Gennrich] We shouldn't portray the situation as being more hysterical than it is. Especially in the plants we need calm and levelheadedness, otherwise we cut off our own legs. First we have to tackle what we are able to do ourselves. That includes the sanctity of the working time (by the way a term created by my director general). Every worker must have the possibility of using his work time fully—but each worker must also have the willingness to do that. For example, in my plant we did not succeed with shift transfers in the shop. Many comrades do not adhere to that even though we have struggled to achieve this for a long time.

Social activities must not be tolerated during working hours. What is involved here are not only meetings but also the Marxism-Leninism kreis school and other social training that must be scheduled during nonwork hours. The bad habit of requesting manpower from the plants for the most diverse tasks must be stopped and quotas for hiring persons unwilling to work must no longer be issued. The right to work is to be made dependent on willingness to work.

[VOLKSSTIMME] These are demands that were voiced in this or a similar manner in our "working time discussion" over a year ago, by the way an open and critical discussion, which at that time did not meet with as much approval as it did among our readers. We want to take up the demands again soon, especially with respect to the performance principle.

[Gennrich] We must also discuss openly and honestly the question of quality assurance. By the way, it is the customer who buys our machine tools who decides on quality, we can forget about everything else. I maintain that at present the marketability of our products depends as much on the good quality of performance as on the general technical standard. We strive for quality, order, and tidiness of machine maintenance in our plant—unfortunately still with too much patience and with a number of compromises.

Another old GDR problem: difficulties with the subcontractors. Our broad base of end products relies on a small base of subcontractors. That forces us to operate with high operational input and to solve many problems inefficiently by ourselves. We help the subcontractor industry wherever possible. But whoever knows the conditions in many branches of the subcontractor industry knows that stabilizing this industry is the fundamental problem of restructuring the economy. That requires time and not a small amount of investment funds.

[VOLKSSTIMME] Earlier I alluded to the performance principle, wouldn't you like to say something about that?

[Gennrich] At present I see three problems with respect to this subject.

Firstly: Under present conditions the wage and bonus funds provided with the plans must definitely be complied with. Thus we must frankly say: That includes, for the time being, the unjustified differentiations of wages and bonuses among the plants that have arisen over decades. As a consequence, in the enterprises, managers and teams must have the courage to distribute the planned wage fund in keeping with performance. That is not possible without cooperation of the teams. For many jobs there are no real norms. Nothing can be done here without discussions in the working teams.

Secondly: I hold the opinion that without an increase in the share which each worker must earn by his own performance it is not possible to deal permanently and effectively with the performance principle. Our present system of subsidies often rewards the lazy person more than the industrious one. Our pensioners must be protected in this connection. This path could lead step by step to the creation of uniform social security for all working people.

The problem of wage taxes is similar. An engineer or foreman who earns M 1,300 in the GDR pays M 249.80 in wage taxes, a production worker pays only M 63.88; then there are some who receive part of their income tax exempt. Under these circumstances, who wants to study, who applies for a foreman's position, as the person most capable?

And thirdly: More people must again earn their money by productive labor. In working with the 1989 Statistical Yearbook, I noticed the following: In 1988 the GDR had 10.8 million citizens of working age but only 8.6 million designated as persons engaged in gainful employment. In addition, there are 385,000 apprentices. Does the rest consist only of persons on disability pension, students? Only 37.4 percent of the gainfully employed are still working in industry, only 6.6 percent in the construction industry. What is concealed behind the 21.4-percent in the nonproducing fields? And that, too, is part of an honest restructuring of society: Each social organization can employ only as many staff members as it can finance by membership dues and by performances based on the organization's own work (e.g., publishing houses). The



state budget does not provide any funds for that. Funds from the state budget for administrative expenses are to be drastically reduced, especially payroll funds. Manpower so released may be hired only by those with available payroll funds—and only by places that create or maintain values.

[VOLKSSTIMME] There is now much talk of tutelage of the plants, even the subject of abolition of the combines is brought up. I would very much appreciate your opinion on this subject.

[Gennrich] I agree with Manfred von Ardenne when he suggests dissolving unprofitable combines. For example, I have never understood the economic sense of having many oddly assorted, bezirk-managed combines. As far as I as a factory director am concerned, I would not leave the combine association headed by combine director Dr Warzecha because this association, as has been shown, has been very useful to my factory. In other words, combine yes—but as a voluntary association for mutual advantage.

The worst tutelage is the form of planned economy practiced now, combined with statistics. That is not only a source of employment for many who otherwise would be available to us as engineers and economists; that also necessitates a large administrative body for us in the plants. Many capable designers and technologists are tied down for "literary" and statistical work while they are so much needed for world market level products and for greater efficiency. The solution of these questions must be assigned above all to the "sufferers" in the economy and not to the "high priests of theory" alone.

[VOLKSSTIMME] Thus the saying "All good things come from above" should no longer hold true for the economy?

[Gennrich] That has never been very generally true. But an economy in which everybody can butt in has made all—at any rate very many of us—very lazy. To start with every plant must know on its own what it wants, it must have an idea of how to become and remain profitable, how to reach the world market and maintain its hold there. A minister cannot supply me with manpower and if he gives me investments outside of the plan, he will take them away someplace else. A minister cannot arrange any foreign trade contracts for me nor does he introduce quality in my products. They can help us from "above" with the trust in us that we ourselves know best how we can achieve our goals. We have an experienced labor force, here, too, in our factory, we have so much knowledge and strength in the factories. We need to remember that.

#### **Leading Economist on Turnaround in Economy, Current Problems**

90EG0064A Erfurt DAS VOLK in German  
7 Nov 89 p 2

[Interview with Professor Dr Helmut Koziolk, director of the Central Institute for the Management of Socialist

Economies by Erwin Runge, ADN news service: "Economic Turnaround Calls for Well-Reasoned Solutions"; date and place not given]

[Text] DAS VOLK: The ninth SED [Socialist Unity Party of Germany] central committee congress described the current economic and political situation as complicated. Do you and the Central Institute for the Management of Socialist Economies (ZSW) feel a shared responsibility for this turn of events?

Koziolk: The Central Institute provides advanced training for party officials responsible for economic affairs. As institute director, I am not one of those who now say (sometimes with proof in hand) that they saw the light a long time ago and that they are now—with the turnaround finally taking shape—handling everything in a different and much improved way. It is true that the turnaround came rather late, and I am very interested in its causes—both as an economist and a long-time central committee member. I admit that in the past we had analyses, detailed accounts, and other information calling for solutions to real problems yet we failed to put these problems on the agenda.

DAS VOLK: Do you have a timetable for reform?

Koziolk: To discuss and write about long-festering problems is an important first step, but we have little time and must come up with fast solutions to ensure that an economic turnaround will quickly yield tangible results. I think reforms should concentrate on the following issues:

1. On changes in the principles that govern our economic policy and determine the structure of our economy, as well as in the distribution and consumer goods industry.
2. On changes in our system of economic planning, management, and accounting.
3. On the full implementation of the merit system and on full and democratic participation of labor in industry.

DAS VOLK: Could you expand a bit on your ideas about how to change the structure of our economy?

Koziolk: At present, our country cannot compete in terms of quality and cost because of its limited potential, its resource availability, and its diversified production and export structure. This means, that a turnaround calls for the adoption of a process of concentration in those product and service sectors that converge with our historical tradition and economic potential and that can fulfill realistic expectations of what our national economy can achieve. Thus, a turnaround does not mean an abandonment of high technology, but rather a plan to take maximum advantage of scientific and technological findings to speed along the economic use of high technology.

DAS VOLK: How about a new investment policy? Is that part of the turnaround as well?

Koziolek: Yes, but first we have to decide on structural changes. If—in the name of greater economic efficiency—we want to increase economic advantages gained through cooperation, then we have to remove those existing disproportions between supply and end products that a one-sided investment policy has tolerated all too long.

DAS VOLK: Expectations about a new economic policy include increased consumer goods production and development of the service sector. How will you fulfill these expectations?

Koziolek: You have hit on the single most critical issue of all economic considerations, because the ultimate goal of socialist economic production is the satisfaction of each and every consumer. Increased consumer goods production means the establishment of a more effective interaction between management, planning, cooperatives, individual assumption of responsibility, science and technology, and international division of labor. However, key factors for every conceivable activity are consumer interest and specific consumer needs concerning goods and services.

DAS VOLK: Does the retaining of Kombinats allow for smaller units to break away in an attempt to achieve greater economic flexibility?

Koziolek: With respect to the organizational structure of our economic units, Kombinats have functioned well in combining science application, production, and marketing, especially in sectors that are internationally known to require a high concentration and centralization of capital—and it will stay that way. The marketplace confronts us with other problems of overwhelming importance. The criterion for any economic organization must be its effectiveness. Effectiveness, of course, cannot be attained overnight; this means that the structure and profile of our Kombinats need perfecting, that shortcomings must be removed, if necessary, and that other economic units such as small and medium-sized enterprises need to be supported and permitted to operate more independently. Small enterprises under regional or cooperative management present a very important addition to socialist large-scale industry and can contribute substantially to a more flexible supply situation and increased effectiveness of the national economy.

And of course, we will still have cooperatives and the skilled trades. It is quite clear that we will need revised skilled trade laws, together with a new, differentiated, and flexible authorization policy, and a solid trade inspection.

DAS VOLK: What comes to your mind when you hear of reducing central planning?

Koziolek: Our system of planning, account balancing, and economic accounting procedure, must—with regard to the turnaround—strive towards increasing its effectiveness in satisfying consumer demand and towards

improving the quality of life for all our citizens. This will automatically lead to increased responsibility and greater room for action in the economic sector.

DAS VOLK: Will trade agreements, currency, and finance categories play a stronger role?

Koziolek: Trade agreements will take the place of overdrawn balances, and the categories you mentioned must find more frequent application in the commercial sector for planning, balancing of accounts, analysis, and control for decisionmaking and market stimulation. The state has to gear its economic methods more towards the effective management of industry. Of great importance in this regard is that prices are set according to the law of supply and demand, that currency stability is ensured, that material and financial planning go hand in hand, and that banks will play a larger role.

DAS VOLK: How much does the recent exodus of GDR citizens hurt?

Koziolek: It is only natural that such an exodus takes a considerable economic toll. In many cases we are talking about young people, skilled labor and specialists, about young women—such an occurrence obviously creates additional unrest. We must work to keep social damage to a minimum. In order to do that, we must build up confidence, we must give workers more freedom and mobility at the work place; we must encourage increased productivity, we must give immediate thought to the future of vocational training, we must make better use of incentives, we must improve business management, and in general, we must undertake a realistic assessment of our labor force in order to utilize it properly.

#### **Economist Wants More Autonomy, Flexibility for Enterprises**

90EG0079A East Berlin NEUES DEUTSCHLAND in German 13 Nov 89 p 6

[Article by Prof Dr Karl Morgenstern: "Economic Laws Cannot Be Outwitted"]

[Text] Problems in the economy culminate in the violation of economic laws—the economy of time, of proportional development, of the law of intrinsic value, and of the relationship between the development of work productivity and wages and income, and other laws as well. Unfortunately, this is not the first attempt to "outwit" laws. In a search for ways to effect renewal, we do not need to begin at ground zero. Positive as well as negative experiences in the GDR and in other countries should be examined critically and objectively while taking new conditions and requirements into consideration. Included with these should be the experiences from the time of the New Economic System (NES) in the GDR, from the time of the economic reforms in other socialist countries in the 1960's, and the current discussions and developments involved in restructuring, particularly in the USSR.

In my opinion, the basic thrusts of necessary reforms in the GDR's economic system can be summarized in three mutually associated problem complexes:

1. Issues of independence for the enterprises and the function of centralized economic management;
2. The relations between goods and money and the relationship of planning and the market; and
3. Structural policies, the strengthening of the export sector—particularly in regard to quality—and greater and more efficient participation in the international division of labor effort.

#### **Independence of the Enterprises and State Management**

In regard to the first problem complex: That the enterprises, industrial combines, and other economic associations and groupings that are taking form must be given greater economic independence, is undisputed. The question, however—and it is not a new one—is how great this independence should be, how is it to be developed in specific terms (in regard to the importance to be given to the category of "profit," for example), and, related to this, what functions should the socialist state and the central economic management organs perform. The mere delineation of the problems suggests their problematic nature and complexity and makes evident that sound answers require thorough analyses and the evaluation of acquired experience. The following arguments are thus to be understood merely as statements of opinions, or rather as an attempt to formulate the problem.

The enterprises are the economic units under discussion here. If they are to operate more efficiently, react flexibly to the market (domestic and well as export market), and rapidly adopt and master innovative processes, complete local freedom to profit by economic production (including that of earning hard currency) and self-financing, extensive authority (including that of making decisions regarding export policy and of arranging international cooperative relationships), unhindered connections to the market, and broad discretionary latitude when it comes to making decisions, are necessary.

As the enterprises are gradually exposed—with ever greater economic consequences—to international competitive pressure, they will be forced to make international standards truly the measure of their own economic performance. Technical competence and decision-making authority—that is, intrinsic responsibility for decisions and the feasibility of implementing these decisions based on material and financial resources—must coincide. At the same time these are the necessary premises—together with the requisite preconditions in society as a whole—to take full advantage of the merit principle and to be able, in an unhindered manner, to set free motivating forces for creative, efficient work, to create latitude for the development of the personality, and to markedly raise the consciousness of ownership.

The belief that economic problems can be managed and processes can be controlled solely—or even primarily—by computer assisted centralized accounting and planning, does not, in my opinion, take essential factors into account. An enormous amount of information and signals flows every day from the productive and individual needs of the people into economic activity. Even if it were possible for the computer to process them in broad terms and to prepare variants of decisions that have to be made, responding to them and the initiation of appropriate activities are the concerns of people with their very different interests and motivations. Flexible, rapid, and economically rational response requires initiative, total commitment, and the setting free and productive use of interests and motivations on the part of the individual, on the part of the collective, and on the part of the manager. The independence of the enterprises and their control over production factors are fundamental prerequisites for this. To that extent, I agree with many positions which Manfred von Ardenne expounded in the *SAECHSISCHE ZEITUNG* of 18 October 1989. This holds especially true of the point where he speaks of rejecting highly bureaucratized centralism and advocates the delegation of responsibility to the periphery—that is, to the enterprises and firms. "This means, in terms of system theory, the transition to self-optimized, closed feedback control systems in the peripheral areas of the state structure."

Supplementary to this, I would like to state that optimizing processes occur at the level of the national economy as well—and increasingly even at the intragovernmental level, as well as at the regional level in the economic field. Surely these must be better managed and become more realistic by taking far fewer parameters into account and through feedback from "below." But whatever the case, this optimization creates important basic conditions for the optimization of the enterprises (which, although having full responsibility, remain subsystems of the supraordinate system). At the level of the enterprises it is therefore hardly a matter of a closed feedback control system. The idea of feedback control systems and self-regulation, however, should once again be taken up by the economics discipline. (In relation to the organization and management of socialist international division of labor, as early as 1966 I outlined three levels and subsystems in this manner.)

In this connection the question of centralized economic management arises. A new disposition is needed in this case. In the process, there cannot be an abandonment of centralized management and planning entirely, nor a hands-off approach to the economy on the part of the socialist state. That would be a fateful reversion to at least the early phase of mature capitalism, where the state also played an important role—not to mention what it does today in modern capitalism!

The essential tasks of central authority are the direction of the country's scientific-technical and structural policies, the establishment and protection of the basic proportions of the national economy and of the basic

orientation of participation in the international division of labor, as well as the concentration of resources and manpower in areas and projects of particular importance to the national economy. A significant reduction of centrally-mandated planning figures and numbers, a meaningful connection between prescriptive and normative planning, and a more widespread use of economic instruments (finances and prices) for the management of economic and other social processes would be the result. A special concern is the creation and continuous improvement of those basic conditions for the activities of enterprises and other organizations that make the striving for greater efficiency and quality an unyielding standard. The issue, therefore, is a new relationship between the two components of democratic centralism. Profit will have to play a much greater role in this than it has to date.

#### No Campaign Against Subsidies in General

In regard to the second problem complex: Efficient functioning of the economy is unthinkable without a broad development of the relationship between goods and money. We are dealing here—and there has been no dispute about this for a long time—with a socialist system of goods production. But have all relevant issues been posed to date, let alone thought through to their logical conclusions, which arise from this fact? Together with the consequences of economic independence for the enterprises so that they can be goods producers in the true sense of the word, the necessity arises of allowing money to become fully effective as the general functional equivalent of a circulating, payment, and accumulation medium. In the process, the economic preconditions for a gradual introduction of the currency's convertibility can only be safely created in stages.

A particularly cautious, considered approach in the case of reform of price and subsidy policy is necessary. It is important to avoid unwanted and uncontrollable economic and social consequences. There cannot be a campaign against subsidies in general, but only against their structure and extent. Social security in regard to people's basic needs which is truly necessary and compatible with economic circumstances must not be lost. But the purpose of changes in the area of prices and subsidies is not only to make cost-use calculation really possible in the first place, and to make precise cost computation, accounting, and efficient economic operation a necessity, but also to overcome incorrectly understood and falsely practiced social egalitarianism and social leveling with all their fateful consequences, as well as to encourage people to think in economically sensible ways and to adopt efficient behavior and thus bring to bear an important element of the merit principle—the stimulation of high productivity—from this angle as well.

The problem of the relationship of plan and market is connected to the problem of the goods-money relationship. This well-worn subject of discussion is in need of a creative revival which takes objective circumstances into

account and nothing else. Thus, among other things, there is the question of the market's function in socialism. Is it limited to the function of being an indicator—that is, a source of information and acknowledgement? These functions alone necessitate further reflection on the associated consequences for the organization, management, and planning of the economy. The market, however, also performs a regulating function.

On the one hand, market development under socialism and capitalism is determined and influenced by production (and under capitalism perhaps even more strongly by the profit motive and the manipulation of necessities!). On the other hand, very strong influences are exerted on production by the market. If there are to be systematic responses to them, then, depending upon their nature and longevity, they can—that is, they must—be taken into consideration and reflected in plans. But at what level in each respective case and in what manner? In long, middle, or very short-range plans? In long or short-term production changeovers (depending upon the nature of the products and services) in my understanding of the situation, we are also dealing in socialism with a regulating element of the market mechanism (and of the law of intrinsic value). Is not the logical conclusion from this an economically valid synthesis of planning and limited market regulation as an integral aspect of planned development which serves the interests of society as a whole?

#### Structural and Investment Policy Adjustments

In regard to the third problem complex: Substantial adjustments to structural and investment policy are necessary. Together with the economic mechanism which must be changed, this will exert great influence on the restoration of proper relationships in the economy, the raising of its technological and economic level, and on ensuring the constant renewal of the production process not only in key areas, but in all those branches and fields of production that are needed here at home even though there is increased international division of effort.

The necessary preferential development of certain well-selected, advanced technologies and industrial branches/enterprises that are profitable for the national economy can no longer be accomplished at the expense of other essential areas and branches. A greater sense of proportion and sense of reality are called for here. The whipping up of enthusiasm for new structural systems without a sober consideration of social and economic productive capacities does not give the national economy the hoped-for boost in efficiency, but does it great harm. (Wolfgang Biermann—as can be inferred from his statements in *NEUES DEUTSCHLAND* of 2 November 1989—apparently continues to have a different opinion on this subject.)

With demand as the starting point, efficiency must at last become the ultimate criterion in production and in the export and import trade. Likewise, competitiveness in



foreign markets must become the highest criterion in the search for alternative production and foreign trade structures for the national economy and the enterprises, in the guiding principles for the division of effort with socialist countries and for participation in the worldwide division of labor, as well as for decisions that have to be made. Corresponding changes in the range of goods produced and exported should be made on short notice where possible, and a goal-oriented and thoroughgoing preparation of structural changes should be undertaken when a longer period of time is required.

This also means a new approach to international division of labor, and to foreign trade. Considerations about the bottom line should not be taken exclusively—or even primarily—as the most important starting point, but rather the potential increase in efficiency through international specialization, cooperation, and the import-export trade. That also applies to forms of international cooperation. Where necessary and useful, for example, such forms as joint enterprises with socialist countries, mixed state-privately owned companies, and joint ventures with capitalist firms and concerns should be more boldly utilized. In addition to exports, above all the import of modern technology, licenses, and know-how should be expanded.

World development is definitely leading to a multifaceted intertwining of economic and other factors among countries with different social systems. The fundamental conditions of the world's economy are in profound transition. It is imperative for the GDR's national economy that its prospective place in the changing cooperative effort with the USSR and other socialist countries be examined, predicted, and defined.

### **Economist Discusses Needed Reform, Currency Convertibility**

90EG0063A East Berlin JUNGE WELT in German  
7 Nov 89 p 3

[Interview with Caspar Schirmeister, department chair at the Institute for International Politics and Economics by Peter Neumann: "Economic Reform? Yes, but How?"; date and place not given]

[Text] [Boxed item: Professor Caspar Schirmeister, PhD in Economics, born in Berlin in 1937. Held the post of FDJ [Free German Youth] official at the Humboldt University during the late fifties. Member of the SED [Socialist Unity Party of Germany]. Married, two children. Department chair at the Institute for International Politics and Economics.]

[JUNGE WELT] Any serious attempt to analyze the most important news of the day can be a trying undertaking. Director General Warzecha (WMK "October 7" Berlin, in BZ [BERLINER ZEITUNG]) and Biermann (Zeiss Jena, in ND [NEUES DEUTSCHLAND]) addressed the basic problems of our economy, as did State Secretary Dr Schalk when JUNGE WELT reported his answers to questions by an AHA [central association

of the electric industry] audience. All favor far-reaching, immediate economic reforms. But they also warn of hectic emergency surgery on an organism as complicated as the national economy. They warn that such attempts could prove suicidal. What do think, professor? Also, do you see yourself as a reformer?

[Schirmeister] I don't like such labels—old or new. I believe that the ability to bring about reform and rejuvenation is an intrinsic aspect of socialism and that it will once more work in favor of the GDR. In addition, there is the SED's political skill to call on the party's old and new allies to rally a majority that will lend their support to the complicated modernization of our economy.

[JUNGE WELT] What should be the goals of economic reform?

[Schirmeister] First: Our economy needs mechanisms that remain open to innovation (in technological and product-related aspects) and are strongly in favor of increased production and performance.

Second: These mechanisms must be compatible with the changing national economies of socialist countries—especially with the Soviet economy—and with the economies of leading capitalist countries.

[JUNGE WELT] Compatible is a computer technology term.

[Schirmeister] What of it? Compatible means that systems with a different structure can work together. Although they undergo change, they still retain their identity and peculiarity and by so doing add a productivity all their own.

[JUNGE WELT] Are you thinking of the EC market right at our doorstep and of first plans about a CEMA sponsored market?

[Schirmeister] Of course, that too. It is of vital importance for the GDR to become attuned to the tendencies of the economy toward internationalization and to assume its role in international cooperation and labor division. But, let me mention another goal or criterion of our economic reform. Third: All economic solutions must concur with the basic moral and social values of socialism and with socialist human rights.

[JUNGE WELT] What do you mean when you demand that economic mechanisms remain capable of innovation? Are you saying that our Kombinat are not able to change?

[Schirmeister] Your question is phrased incorrectly. They could change if... Let's face it, one of the main problems in the GDR is that we have many good scientists and engineers with ideas and products that we need desperately; but, our national economy simply can't support them financially and our present economic mechanisms are not flexible enough to accommodate them.

[JUNGE WELT] And so we sell quite a few of our ideas under licensing agreements.

[Schirmeister] Sure, but everybody knows that the biggest profits are not in licensing but in marketing new technologies and products.

[JUNGE WELT] What do you suggest?

[Schirmeister] I know from looking at capitalist corporate enterprises that successful licensing agreements require close division of labor and cooperation. In this respect, it is necessary for the GDR to think about new international methods of cooperation.

[JUNGE WELT] You are talking about joint ventures or similar ways in which GDR firms can operate with FRG capital.

[Schirmeister] Or FRG firms can work with research and development results from the GDR.

[JUNGE WELT] Aren't such proposals just different ways of selling GDR know-how to the capitalists?

[Schirmeister] I'd like to bounce that question back to you. Isn't it better to market your ideas for at least 50 percent than to put the license buyer completely in charge?

[JUNGE WELT] Don't you see the concept of socialist ownership endangered?

[Schirmeister] No. One needs to look at what determines each state's economic production. It is the legitimate political order within which an economic enterprise functions that makes it either capitalist or socialist. An enterprise can only function within its country's particular economic framework which through state sponsored economic support, taxes, and other preferences maintains and furthers the entire system. To attract capital from nonsocialist countries does not mean that we are selling out or that we are squandering away our economic resources, but rather that we are using them—with profits going to the investors as well—to increase our socialist property. Besides, in such cases, a strong trade union would ensure the inviolability of such property.

[JUNGE WELT] You have studied for many years how capitalist corporations function. As different as they are from Kombinats: What can we learn from them?

[Schirmeister] We can't afford to ignore their structure—and not just with regard to the concept of necessary compatibility. Is it really an advantage for our cost structure to differ so substantially from that of capitalist corporations? Maybe we should consider that in our economy corporate taxes would have the effect of ensuring that human labor is treated fairly—which would mean less encumbered profits. Capitalists are complaining about such high incidental wage costs, but they actually contribute to increasing production.

[JUNGE WELT] The salient point then remains the notion of socialist ownership.

[Schirmeister] Socialist ownership is a card that could play very well. Our advantages lie in our degree of production incorporation, in a sophisticated division of labor, and nationwide cooperation. But there are also serious flaws. Our system of labor division suffers from disproportions and from the fact that nobody knows for sure who is responsible for the rights and duties of ownership and who the owner really is. Ownership only functions when there is an owner who profits from behaving like an owner. Labor and production must be profitable for individuals, for every collective, and for every industrial enterprise.

[JUNGE WELT] Does increased incorporation mean that our Kombinats will grow bigger and bigger?

[Schirmeister] On the contrary. Because our national economy is so intertwined, small and medium-size enterprises of various ownership types can contribute to the greater good of the whole. I think that socialism can only profit if Kombinats or banks encourage and support young economic entrepreneurs and inventors to turn their ideas into reality and once successful, to go into partnership with a larger socialist enterprise. We shouldn't discard such possibilities from the start, because big Kombinats and enterprises will profit from coming up with their own ideas for new and innovative approaches.

[JUNGE WELT] The question then is: Was it possible for managers and collectives in our Kombinats to use increased profits towards higher productivity?

[Schirmeister] They may have earned more money, but unfortunately one mark is not equal to one mark.

[JUNGE WELT] There is a need for hard foreign currency, right?

[Schirmeister] What I am saying is, that our currency needs to become hard.

[JUNGE WELT] And convertible?

[Schirmeister] Yes, that's right. And to bring that about we must transform our market mechanisms on a socialist basis so that productivity becomes profitable. That is why I think that one of our economic reform goals must be to turn the GDR mark into a hard currency. You don't have to be an expert economist to realize that this can't be reached by a sudden decision, but that it requires a lot of hard work. When is it profitable for a Kombinat or an enterprise to save? Only when the Kombinat or enterprise can independently decide how to invest its savings from reduced material and energy use, what funds to increase in the most economical way, and when to allow for more room to maneuver by taking up credit from banks and other savings institutions.

[JUNGE WELT] How about the individual citizen?

[Schirmeister] The individual profits most from his labor when he can buy goods and services with his money wherever he wants: in Suhl, in Greifswald, and in Berlin. His buying power needs to be independent of where he shops. I think that much in our market economy is sorely out of date, such as the fact that the mark's purchasing power depends in part on whether a particular enterprise is granted certain quotas for its financial assets. In practice, we have many different markets and the art how of to manage them advantageously has become the basis for the grey and black market.

[JUNGE WELT] Where do we start?

[Schirmeister] I think we have to make socialist ownership a public concern. This requires honest accounting and honest balance sheets on all levels. We also need to consider whether some of the key numbers we use to calculate (such as investments and their depreciation, effective fund values, and labor productivity) won't have to be redefined for this purpose. I think it would be a good idea to examine and use experiences other countries have had in this area.

[JUNGE WELT] Doesn't all this depend on whether we still have the trust of the people?

[Schirmeister] That's just why we need radical instead of cosmetic economic reform. We have to resolve two divergent things, thorough deliberation and quick action. We simply must understand that labor and productivity must become profitable within the GDR. Some in the GDR still do not seem to understand this.

## HUNGARY

### FIDESZ Economic Policy Platform Proposed

#### Association on Crisis Management

25000536 Budapest FIGYELO in Hungarian  
16 Nov 89 p 10

[Text] The Association of Young Democrats [FIDESZ] congress held in October adopted the Association's economic and social policy program. Two excerpted chapters of that program—one entitled "Economic Policy for Crisis Management: Privatization and the Restraint of Inflation," and the other: "On the Housing Situation"—are presented here.

The fundamental purpose of a crisis management economic policy should be to preserve and to establish conditions for the provision of marketable achievements based on individual initiative, for the benefit of an increasingly larger group of citizens. Based on this fundamental principle, our program presents a short-term economic policy concept for consolidation. Its organizing principle is the requirement to restrain inflation and to privatize....

### Why Not Debt Burden?

Among the causes of striding inflation in Poland and in Yugoslavia we find the announced insolvency of these states. Accordingly, Hungary must avoid a situation of this kind. At the same time, however, in negotiating with international financial institutions, while counting on the political support of Western powers, we should endeavor to reach agreements that provide opportunities for the credit financing of part of the transitional excess expenditures incurred as a result of implementing the program, provided that privatization and other institutional reform measures progress at an appropriate pace. The burden presented by payment obligations may also be reduced by importing operating capital. In addition, negotiations should be initiated to defray part of our indebtedness through payments made in the form of state enterprise stock. Similarly, consideration should be given to sell part of our receivables which appear as bad debts, at the secondary international market for debts.

Accordingly, the avoidance of insolvency vis-a-vis foreign creditors is an indispensable condition for successfully managing the crisis, nevertheless we feel that this matter need not be the direct centerpiece of the program. The main goal is to transform the entire economic model. This is because an economic policy that concentrates on a positive trade balance can easily lead to wasteful semblances of achievements within an unchanged model....

Striding inflation in Poland and Yugoslavia is not an unavoidable consequence of insolvency. The engine which drives that striding inflation in these two countries is the fact that the people's confidence in their governments' resolution and ability to manage the crisis and thus also the currency, has been shaken. This phenomenon may also occur along with solvency. If masses of people lose their confidence in the idea that they could improve their lot by producing more, they find that the only way of slowing down the deterioration of their situation is the introduction of 100-percent wage indexing and administrative price controls.

### Individual Compensation Strategies

The threat of accelerating domestic inflation is brought into tangible proximity by strikes and demonstrations protesting price increases and objecting to the closure of enterprises that have become insolvent in the long term. These strikes and demonstrations are organized by branch trade unions and by the National Council of Trade Unions [SZOT] apparatus, and take place in addition to the loss aversion activities of branch lobbies. Price controls instituted by the authorities and the maintenance of enterprises which have become insolvent in the long term on grounds of supply or employment considerations would be followed by an endless row of budgetary subsidies and official price increases. Well, these policies would be catastrophic for all of us, because in the framework of this logic there is no way out of the crisis....

In the framework of a market economy, any labor is worth as much as one can earn with it. Two alternatives for change are available to those who feel that they are paid less than what they consider fair pay. One is to demand higher pay, the other is to work (also) somewhere else. Choosing the first alternative may produce individual success if a person's knowledge, training, and familiarity with matters are important from the standpoint of his workplace. A joint stand with his associates may provide added emphasis to the demand. Such a stance is acceptable in cases when wage demands are limited by considerations of an employer's ability to pay and the endangerment of the functioning and existence of the institution. In such instances owners risk their own capital. This is a private matter. In other instances state employees risk the property of the community (including the managers of state enterprises) which should lead to an instant relief from their duties. Most important is the fact that under no circumstances should such demands be established vis-a-vis the central government. They should remain at the level of a given employer, even within the state sector. In order to accomplish this, broad and varied forms of ownership outside the state sector are needed, together with competition brought about by such owners, and with large scale decentralization within the state sphere. Our economic program proposes institutional reform measures which enhance these processes. But even if these measures are rapidly implemented, we cannot count on seeing the positive effects of these processes for between 3 to 5 years. In the meantime, however, the other avenue is passable. It has already been followed by many: the search for new workplaces in the primary or the secondary economy for greater achievement. We may thank the relatively less catastrophic situation of our economy, as compared to those of other Eastern European countries for the fact that people have taken advantage of this opportunity....

#### **Anti-Inflationary Policies**

A determined anti-inflationary policy is the centerpiece of a crisis management economic policy. The present inflation may be traced primarily to excessive spending by the budget for production purposes (investments and production-related subsidies). The government is unable to resist pressure exerted by large enterprises and other influential lobbies for various preferences and gigantic development projects. These enterprises and lobbies extort money from the state budget on the basis of key positions they hold as suppliers and as employers, and on grounds of their monopolistic situations (primarily in the base material industries)....

Curbing inflation also appears to be a fundamental condition from the standpoint of intentionally developing the institutional system for a market economy, and from the standpoint of attracting foreign operating capital investments that would produce favorable results, we hope. But perhaps the most important argument for bridling inflation is the idea that we should not

discourage millions of people from recognizing that their added efforts did make sense.

An independent central bank is a necessary condition for being able to control the volume of money outflow. In this manner, the central bank would be able to resist primarily the inflationary financing needs that stem from excessive spending by the state budget....

The budgetary deficit is only a smaller part of the actual state household deficit. This is because various large amount items are recorded in segregated accounts. Examples for these are some of the large central investments. For this reason the need calls for the preparation and public review of clear financial statements in the framework of a state household reform. By learning the actual deficit amounts as a result of these actions it would be possible to develop a deficit reduction program. Nevertheless, the full liquidation of the deficit is not a realistic short-term goal.

In order to collect sufficient revenues to approach the level of expenditures, the state budget levies taxes of such proportion that taxes strongly restrict profitable firms from developing. In viewing this situation, however, we do not believe that the situation is backed by some kind of "terror exerted by the financial lobby." We recognize instead that a weak government unable to take a firm stand against influential claimants of subsidies. Along with this, we find that certain basic taxation concepts in some areas are mistaken. Increased tax revenues are expected on the basis of increased tax rates. Trusting the reserves of self-inspired activities, we would hope that reduced tax rates would increase the added accomplishment provided, by prompting people to report that part of their income which they conceal at present. Thus, total tax revenues would not be reduced by all means....

Relative to trading with the Soviet Union ... we support a changeover to settlement in dollars beginning in 1991, even if this change would cause serious initial losses to Hungary. We believe that the losses incurred as a result of an inability to spend transferable rubles, and as a result of the effect exerted by the Soviet market which conserves our backwardness and our monopolized enterprise structure, are even greater....

#### **Monopoly, Competition, Privatization**

Directing the liquidation of enterprises and bankruptcies is not a function of the government if the mechanism provided by the capital market by which changes in ownership take place, functions. In the absence of such a mechanism an initial governmental decisionmaking role is indispensable.

In contrast to this drastic therapy, one frequently hears counterarguments, according to which the 'standing in line' that occurs as a result of insolvency experienced by hundreds of enterprises will result in the domino-like bankruptcy of hundreds of enterprises when liquidation proceedings begin. This assumption has not been



proven, however, and there are as much grounds to expect that targeting a few large insolvent firms and paying at least part of their debts would exert the effect that these 'lines' would become shorter.

A restricted money supply could also prompt monopolistic enterprises to adapt to such conditions by holding back on supplies, thus paralyzing significant parts of the marketplace. To offset this possibility a relaxation of the monopolistic situations would be required.... Prices and imports must be further liberalized....

The enforcement of competitive constraints alone serves as a factor for improving efficiency. Competitive constraints must be established and maintained by way of state competition policies....

The elimination and discontinuation of superfluous state administrative requirements and regulations is very important.... In addition, the number of existing legal provisions must be reduced significantly. It would be important to totally eliminate case-specific, as well as semi- and fully secret regulations.

The supply side must be invigorated so that global monetary restrictions and the liquidation of enterprises experiencing long-term insolvency should not result in continuously narrowing production, a process that could be illustrated by way of a downward spiral. Such activities, however, must stimulate only those organizations which react quickly and are flexible, meaning private enterprises. A few examples for such stimulating activities:

- In conjunction with the liquidation of enterprises, the sale of assets and private ventures by those left unemployed should be supported by loans granted at favorable terms.
- Entrepreneurs creating workplaces in backward areas that provide few opportunities for work should be stimulated by way of tax benefits.
- A loan fund that supports privatization, and can only be used by private individuals, should be established.
- Innovation parks financed by the state should be established for the benefit of private enterprises.

The factor which may make even the best program fail is the incapacity to act manifested by state enterprises and their resistance to adapting to financial processes. This resistance has its origins in state ownership; accordingly, a solution may be expected only from a partial, proportionate decrease in state ownership and in changing the ownership form of the remainder.

#### **Association on the Housing System**

25000536 Budapest FIGYELO in Hungarian  
16 Nov 89 p 10

[Text] FIDESZ has a dual starting point. Housing reform cannot be accomplished by way of a onetime, individual intervention which disregards the effects exerted by

individual measures upon the total housing market. Solutions acceptable to a majority in society may be presented only through reform measures that involve the entire housing sphere.

Any and all rearrangements will have winners and losers. In regard to this rearrangement, FIDESZ recommends the introduction of techniques and measures which contribute to the facilitation of acquiring an initial residence.

The following must be considered in operating a new housing system:

Competition neutrality in the building industry, between state and private construction enterprises, must be ensured. The emergence of housing supply (except for residential construction of a social welfare character) must be left to the marketplace which formulates prices. The establishment of real estate sales enterprises must be stimulated, and an information system must be created for the housing market.

It should be accomplished in the long term that much more apartments become real rental apartments, and that a decisive part of these are in private hands. Rental fees for existing state rental apartments should be adjusted to match the rental fee equilibrium that evolves in the marketplace. Fundamentally, the state should support not the production and distribution of apartments, but instead those who live in the apartments and others who wish to save money in order to acquire apartments.

The subsidy system should not distinguish between persons residing in rental apartments, and others who live in condominiums. The income situation of the subsidized person and the expenses involved in the residence should serve as the basis for granting subsidies.

Housing market conditions and the changing of existing forms of subsidies cannot be implemented or established in a short period of time, because rapid implementation would cause huge social and political tensions while the housing supply would not increase to any tangible degree. One cannot avoid facing the problems related to apartment rental fees and to state interest subsidies, however. These must not be maintained at their present levels.

Housing reform must be linked to a gradual factoring in of housing costs into rental fees in the form of tax reductions. Thereafter the state budget would support the housing payments of only the most needy. We envision two fundamental possibilities for housing reform. One provides for a quick solution but requires more subsidies. The other would result in a multi-sector system instead of the establishment of a unified housing market, but gives more consideration to the financial capacity of the populace and of the budget.

Apartment rental fees and housing loans may become subject to market conditions relatively quickly under the

unified housing market concept. The earlier system of subsidies would be replaced by a system based on general need. Rental apartments provided by councils under the social welfare system would be made available only if a person has absolutely no income.

The subsidy system could be based on the principle of negative income taxation, meaning that a certain amount of support could be obtained up to a maximum amount established by the council on the relative base of per capita income. A solution by which a certain part of dwelling expenses which exceed a given percentage of family income could be reclaimed from taxes paid is a conceivable solution.

The possibility of establishing a descending scale on the basis of which a predetermined, increasingly smaller part of rental fees, maintenance, and housing-related savings could be deducted from personal income taxes as income earned in various tax brackets increases could also be the subject of discussion. Subsidies related to the purchase of condominiums could be tied to savings. Following a certain period of advance savings, loans based on favorable terms, or loans that would trigger tax benefits, both with established maximum limits, could be provided.

Market based housing credits presume the development of an appropriate financial infrastructure (construction savings banks, the introduction of revalorized installment payments, the system of adjustable interest rates, etc.).

Placing state rental apartments on market foundations requires that ownership conditions be clarified. We must not disregard the fact that a large number of the present residents paid substantial amounts of money to the previous residents. Similarly, we must not close our eyes to the wasteful and unfair sale of rental apartments that began recently. We recommend that councils immediately discontinue selling apartments whose status has not been clarified. Similarly, the distribution of apartments to persons not appearing on the list should be discontinued immediately. Conceivably, proprietary conditions could be clarified as follows.

As a first step, a 50-percent ownership right by the present residents should be recognized, but only up to a certain amount. Councils should announce public auctions for rental apartments. The present resident may purchase the apartment if he is able to pay the remaining amount. If he is not, the buyer will make reimbursement for his share of ownership.

Second alternative: Once again starting out with the recognition of ownership rights, the second half of the ownership would be purchased by stock corporations. Present residents would receive evidence of their ownership in the form of stocks (and perhaps stock that represents a share in an apartment other than theirs.) This is necessary so as to avoid a repeated mixup between the roles of owners and renters. In both

instances the present owners, the councils, could use the proceeds only for the construction of social welfare apartments.

Under the third alternative, the quasi-legal ownership right would not be recognized, but paralleling an increase in rental fees, it would provide for some kind of compensation if someone moves out (for example based on the difference between the rental fee enjoyed earlier and the rental fee charged under market conditions). Council rental apartments would first be transferred to the ownership of competing council organizations, and subsequently to private ownership.

Relative to interest payment subsidies we may start out from the status quo or from the need to introduce market conditions on the basis of the general system of subsidies. But this can be accomplished only gradually. If we enforce the former principle, an alternative opportunity must be provided for accelerated payments, and the introduction of apartment taxes may become necessary in order to return part of the interest payment subsidies provided for larger and better apartments to the budget. Interest payment subsidies (or parts of those) may be regarded as income, and as such may be subject to income taxation. This solution would automatically ensure a quicker write-off of interest payment subsidies provided to persons with a higher income, and would provide for a burden that increases proportionately with income.

The multi-sector apartment market concept differs from the previous concept in that real housing market conditions would be enforced only with regard to persons enjoying a higher income. Council rental apartments other than state-supported social welfare rental apartments would operate in the form of a nonprofit council organization. (Condominiums under divided ownership could become a peculiar part of the nonprofit sector.) Under this model the goal would be to assign persons enjoying various income levels to the appropriate sectors.

In the case of a nonprofit council, apartment rental fees would cover only the expenses related to repairs. Rental fee increases could be offset by differentiating rental amounts among the residents, or by way of a smaller scale subsidy system. Under this system, ownership rights would be recognized only to the extent that in case of abandoning the rental apartment sector the council would pay a flat rate compensation. (In case of a condominium purchase a fixed amount of state contribution could be provided in lieu of a loan on favorable terms, but this contribution would remain state property and a certain amount of interest would have to be paid after that contribution. This would also apply to those unable to pay the higher interest after interest payment subsidies are discontinued.)

In the market sector, part of the market interests and rental fees could be written off of the pre-tax income. This system has the advantage that it requires less drastic

changes, but in order for persons enjoying higher income levels to leave the nonprofit sphere, a subsidy system (tax write-off) must be operated in which in terms of absolute values those residing in social welfare apartments receive the smallest, while those in the market sphere receive the highest amount of support. This, in turn, would accelerate mobility, thus helping people to acquire apartments.

### **Pet Nitrogen Bought by Swiss-Based Multinational**

25000541A Budapest NEPSZAVA in Hungarian  
29 Nov 89 p 4

[Article by Erzsebet Nogradi Toth: "Introduction at Pet: The Sale Does Not Mean Surrender"]

[Text] The man rapped the gavel and the bidding came to an end: Pet Nitrogen, the enterprise that had been liquidated both from a legal and a financial standpoint because it was producing with a deficit, was sold for 1.75 billion forints' worth of Western foreign exchange. At this, the second auction held on Monday in Budapest, the Borsod Chemical Combine [BVK] and the Swiss-based multinational Sauer Corp. turned out to be the winners. Accordingly, Pet Nitrogen Works' 2-year calvary came to an end. A new chapter was opened. It rightfully causes anxiety in the life of the Pet large enterprise. People anxiously ask: What is the new owner going to dictate—will our work be needed in the future?

Immediately following the auction, Laszlo Transzky, the enterprise trade union secretary, handed a quick invitation to new owner, BVK President Lajos Tolnai. He promptly agreed to take the long trip. Kazincbarcika and Pet are not exactly in each other's neighborhood, although henceforth the "bond of marriage" will tie the two chemical firms together. Workers, among them members of the body of stewards, rushed to the Tuesday morning meeting in the cultural home. A few words could be overheard in the tense moments of expectation: We cannot become BVK's colony, even if they have purchased us. Others counseled patience to their associates.

Dr Tolnai, accompanied by Dr Laszlo Redei, head of the bankruptcy organization, arrived at last. Let's be frank, Dr Redei was not overly popular at Pet; many referred to this strict bankruptcy commissioner, who performed his job appropriately, only as the "liquidator."

Well, Redei the liquidator told the workers' delegation that he had sold the assets of the Nitrogen Works, and that hereafter his only task would be to ensure continuous production until the new owner takes over, and to prepare a financial statement for the new owner. Dr Tolnai had much more to say. He started out by expressing his hope that he will have to deal with a strong trade union, and not with a violent trade union. He underscored the fact that he regards the existence of a

trade union as important, because stable employee interest protection is indispensable from the standpoint of stable production.

### **Employee Stock Ownership**

The new stock corporation will be registered within a few days. We have learned that since the number of shares held by the Swiss is greater than that of the BVK, it is likely that a Swiss managing director will be heading Pet. And will there be other stockholders? For the time being this is not being discussed within Hungary, but they are talking about the fact that if the enterprise stands on its feet once again, employee stock ownership will be made possible both in Pet and at the BVK. As an example Tolnai mentioned that at the BVK employees own 10 percent of the assets; this has accumulated out of 1 billion forints worth of profits. A 20-year employee owns 200,000 shares, after which he will receive a commission beginning next February. But the owner also discussed some other matters. He mentioned, for instance, that BVK was in a very difficult situation in the early 1980's, and that they achieved a technical peak as a result of structural transformation which was accompanied by an economic bankruptcy. But they worked out a recovery program and now the enterprise is recording 2 billion forints in profits. Accordingly, there is hope for Pet, but one must struggle hard for the achievements.

### **There Is a Way Out of Bankruptcy**

Many asked whether there would be layoffs. After all, the daily bread of 3,000 families depends on the answer. Once again Tolnai brought up an example from his company by saying that in 1980 BVK had 7,000 workers, today it has only 6,000. They streamlined their operations, but they did so rationally and humanely. During the past decade BVK has established 16 stock corporations, thus creating 2,000 jobs in the country. Nevertheless, he was candid when he said that the Swiss partner recommended that the workers be dismissed the moment the sales transaction is consummated, and that only those workers should be rehired whose services are needed by the new firm. The Hungarian party did not agree to this suggestion, and thus momentarily all workers will remain in their places. True, later on it will be necessary to establish a rational figure for the number of employees, but in Tolnai's perception this will take place along the pattern followed in Kazincbarcika. In Kazincbarcika people were dismissed, each with five job offers in hand. Five hundred of them were sent abroad as employees of BVK, and today they are treading the streets of Kazincbarcika in Mercedes cars.

The president's remarks concerning income were encouraging. It turned out that at the BVK they granted a 25-percent wage increase this year, and another 20-percent increase will follow in January. All this good news was not conveyed as a matter of bragging, it was meant to be encouragement: There is a way out of bankruptcy; all that has to be done by this tormented collective, which lost the soil from under its feet, is to get

its act together. Guaranteeing production and establishing a market is the new owners' task, the people at Pet need only to produce.

"This is what we have wanted for years," Sandor Falusi, a trained worker at the furfuryl alcohol plant, explained; then he told the new owner that during the 2 years of uncertainty very many outstanding engineers and trained workers were let go.

"I am happy that you do not want to chase people away from here, that you provide an opportunity for everyone to prove himself," the young trained worker said, and then he asked the new owner to help them regain the honor of works and workers.

"God save us from premiums," someone else joined the conversation not quite by accident, because even when the enterprise ran a loss huge premiums were received by the enterprise leaders as a matter of right. The worker then went on to assure the new owners that they would not assert unrealistic demands, however the trade union will be as "solid as a rock" in enforcing the fulfillment of their realistic demands.

Kalman Nyari, a maintenance man, wanted to know what will happen to employee recreation since both the fixed assets and the welfare assets of the enterprise were sold at auction. Pet Nitrogen Works had nice recreational facilities where many workers spent their vacations.

#### The Name Remains

"BVK has its own recreational facilities, they will not take away the facilities from the workers at Pet," Tolnai reassured the worker and suggested that it would help this "marriage" if the workers of the two enterprises hereafter serving under one management would mutually invite each other into their recreational facilities. He also stressed that good production and profitable management can be accomplished only with satisfied workers. For this reason he hoped that the workers at Pet would vote confidence in the stock corporation which assumed the name "New Company," but preserved its historic name. Thus, within and outside the borders of this country the name Pet Nitrogen Works will continue to live on.

### POLAND

#### Former Premier on Economic, Political Reforms

90EP0104A Warsaw KONFRONTACJE in Polish No 9, Sep 89 pp 8-9

[Interview with Prof Zbigniew Messner, premier from 6 Nov 85 to 19 Sep 88, by Marek Goliszewski; date and place not given]

[Text] [KONFRONTACJE] When you ran for the office of premier, did you have to wage some kind of fierce

battle or did your nomination simply evolve naturally from the situation that existed at the time?

[Messner] You wish to compare the atmosphere of the elections with today's political situation? Yes, the atmosphere then was completely different. It stemmed from the accepted model of government, in which relatively smooth consultations and political agreements preceded the elections. My nomination was also the quite simple consequence of the fact that for almost 2 years, in W. Jaruzelski's government, I was the deputy premier responsible for coordinating the economic policy on which the Council of Ministers concentrated its attention. I did not wage a political struggle, or to put it better, a struggle for the position. Were there people who felt they were better, more worthy than I? That I do not know, although—knowing life—there surely were

[KONFRONTACJE] Gossip has it that there was conflict between you and Mieczyslaw Rakowski.

[Messner] There was no competitiveness then, no friction on possible personal variants of governing. We both fulfilled the function of deputy ministers, although our ranges of interest were different. Rakowski, an experienced journalist, editor-in-chief of POLITYKA for many years, focused his attention on political issues, on a model of exercising authority.

And I believed, and still believe, that political reforms must be accompanied, and even preceded, by effective economic measures which would create a natural base for a "superstructure." The differences in points of view during those years came to the fore. Therefore, we sometimes underscored different views, particularly in the area of methods of action. But these differences did not have the character of personal.

[KONFRONTACJE] In accepting the office, you certainly believed that your mission would be successful. What made you believe this: the political and economic system or possible assistance from the East and the West? What else played a part?

[Messner] There were several such prerequisites. The normalization of financial and credit relations with our Western creditors increased (as it has today, too) our chances of success. But above all, I believed that the Poles themselves were capable of breaking the economic impasse. That the economic rationalism of society would be victorious, even if this meant sacrifices and hardships. The economic figures from 1983-88 seemed to confirm this. Inflation, during this period was within "reasonable" limits. It seemed that there was a real opportunity to accelerate the reforms. The second stage of the reform program, the only cohesive and comprehensive economic program developed during the entire period of the 1980's, reflected this both theoretically and practically. The reasons for its failure (for that it what you are really talking about and not about my beliefs at the time the program was initiated) should be sought, therefore, in much more important areas.



I would say that the open conflict between the need to comply with tough economic rules on the one hand, and the striving for political democratization and social liberalization on the other hand, should head the list of the reasons for its failure. Under the conditions that existed when I headed up the government, there was no chance that this conflict could be resolved. The "round-table" has now created such a chance, but it is very feeble and shaky. A political struggle is being waged which is creating focal points of tensions. This chance can also be easily lost if attempts are made to maintain a status quo in many areas of the economy and in the position of many professional groups which prevent a reasonable restructurization. And without this restructuring the prospects are not good because a faulty economic structure creates the preconditions for a crisis, and generates it.

Also contributing greatly to the defeat of the Messner government were the numerous attempts to make political and social capital through demagoguery, by trying to convince society that the lack of economic success is simply the result of bad economic policy, ergo—the incompetence of the government. That all it takes to put things right is to wave a magic wand. And it was not necessary to wait long for the results of this demagoguery—today they are apparent in every economic indicator.

Mistakes also lay in the extreme austerity of my government's actions, in underestimating the processes and techniques of shaping public opinion, the propaganda factor.

If the Messner government is to take full blame for the latter, the other issues, to the same degree, affected and will affect every government.

"Governments go—problems remain." Some take on an even more severe and calamitous form.

[KONFRONTACJE] Did you have a free hand in filling the positions of deputy premiers, ministers and voivodes?

[Messner] No premier, in any country of the world, has absolute freedom in this regard. Nor do my successors have such freedom. Although their "margin of tolerance" is larger, they must still contend with the opinions of the political forces. The choice of personnel was, and is, the result of this.

But this does not mean that I had no influence, or even a decisive vote. No one made decisions without my knowing it. And many nominations were also the result of my own initiative.

[KONFRONTACJE] The opinion is being circulated, and you seem to have supported it in your speech to the Sejm, that one of the main reasons for the failure of your reforms was bad relations between the government and the Politburo, that the party simply blocked you. Is this true?

[Messner] Please take another look at my speech. There is not one sentence there about the blockage of reform by the leadership organs of the party. It was A. Miodowicz who put that interpretation on my speech.

I did not polemicize. The Sejm is no place for such squabble. But it is not the sense of my speech, but the interpretation that was put on it, that has remained in the social consciousness.

On the other hand, it is true that the position of the party, and the quality of the decisions that its leadership groups made, was different in September of last year than it is today.

That is what the sense of the reforms of recent months consists of. In my speech I pointed to the need for them when I spoke of the necessity for a clear definition of the "rules of play." But underscoring the advisability of reforms is not showing that "you are at fault." In any case, as a member of the Politburo, who was I supposed to lay the blame on?

[KONFRONTACJE] What matters could you really decide and which ones required consultation and approval outside the government? I am referring to international agreements, the USSR, CEMA?

[Messner] The one who offers the most highly valued intellectual and material potential obtains a strong position in international relations. No one makes concessions or gifts based on pure instinct. Hope that the West will help us because we are making political reforms is something which should be added to the list of Polish myths. Another myth is that we cannot negotiate with the USSR on an equal basis due to alleged political pressure. I believe that during the 1980's our dialogues were conducted on a partnership basis, that we too obtained concessions which were the result of an understanding of our difficulties.

But I want to put the matter openly. If we were able to deliver high-quality processed products and new items to the USSR, we would undoubtedly be able to sell on more favorable terms. The first condition for larger profits is to make our offers more attractive, both in trade as well as in economic production. The key to economic cooperation with both the East and the West lies with Poland.

Another matter goes beyond the economy. We must decide around what matters we are to shape relations with our greatest ally and partner. I value historical truth. I spent my youth in Eastern Poland and I could say a great deal about many matters.

But the substance and sense of today's relations between both countries does not lie in an explanation of history. During the next few days the new premier and the Council of Ministers will have to decide what the substantive subject of the forthcoming Moscow talks by the government leadership will be. A great deal will depend

on this decision, both on the geopolitical scale as well as on the dimension of the arduous recovery of economic health.

[KONFRONTACJE] What do you feel was your greatest success and biggest failure?

[Messner] That is a difficult question. I would probably give the highest grade to the preparations, in 1987, of the groundwork for the application of the second stage of reform, despite the fact that development slowed down that year. We created a modern model of central administration. We began work on all of the problems which were deemed to be basic to reform: economic freedom, a capital market, expansion of the share of foreign capital, and municipal ownership. The signs of market balance appeared most clearly, but they were disrupted, unfortunately, by the panic which accompanied the referendum. By the way, there are some points on which the ideology for the erstwhile variant of reform and the present "marketization" are the same, but we would not want to abandon our control over the entire process. Speaking figuratively, both operations were a sign that the line was being toed. It seems that we were insured, but our successors decided to proceed without such insurance. More impressively, with more applause, but the fall was much more painful.

[KONFRONTACJE] Then why, contrary to the opinion of the entire economic community, was the price-income operation, which drove the inflationary processes, applied?

[Messner] Today, in retrospect, a thorough examination should be made of this process, its defects and its advantages. But we should not repeat the assessments which were made emotionally. It is true that 10-15 percent growth in prices and wages exceeded the plan's assumptions, although given today's inflation index such a charge sounds ridiculous. But it is also true that during the period April-July 1988 inflation did not grow, and the methods used to slow down the growth of prices and the reduction of funds for wages and salaries for enterprises turned out to be effective. Statistics later confirmed this. The tragedy which is still taking place did not begin until August, along with the wave of strikes and internal conflicts, together with the gradual loss of ability to control the development of the situation. This was not caused by goblins. So now you have an answer to your question as to what, in my opinion, was the government's greatest failure.

But it is an open matter as to whether the government, which prepared the concept of the second stage of reform, should have resigned after recognizing that it lost in the referendum, or whether it should have sought new "variants."

[KONFRONTACJE] And why did it not resign?

[Messner] Because 12 million people voted "for." I feel that it should not be allowed to be left like this, although the effect of this position, unfortunately, was a compromise.

[KONFRONTACJE] Are you suggesting that premier Mazowiecki's government has to enter into large compromises because of strong political and economic organizations? That if this government compromises it will fail?

[Messner] In economics there are no good compromises. Nor does anyone deliberately prefer them or strive for them. The new government has a relatively broad base of confidence. Maybe this will allow it to resist the tendency to depart from economic rationalism.

[KONFRONTACJE] You are being accused of heading up the fuels-energy lobby, which blocked reform.

[Messner] That is rubbish. On the other hand, the fuels-energy lobby charges that I liquidated the ministry of mining and power industry and also launched an attack on the coal miners' guild and power industry circles. Lack of possibilities, important shifts in investment outlays, and distinct preferences for the processing industry, resulted simply from the press of current needs.

In any case, the advocates of rapid restructurization were silent in the face of peasants' protests when there was no coal at the fuels-storage sites. Was the government supposed to shut down the mines then?

[KONFRONTACJE] Professor, all of this is logical, but this was the reason that the economy still continues to be on the wrong track. It is not possible to restructure the economy when this kind of fuels-energy complex exists.

[Messner] I would like to spare our readers an academic deduction. When a structure has been shaped over a period of a few dozen years, when it is impossible to import new techniques and technologies (because of indebtedness and lack of credits), when the zloty is not convertible (which makes it impossible to fill the gap in domestic production through imports), the only way to restructure is to reduce the economy's demand for fuels and energy, without drastically disrupting the functioning of the economy. Therefore, when I hear that restructuring can be accomplished automatically, merely by fully respecting the laws of the market, I envy the writers' their childish naivete, which makes life simple and colorful. Naturally, investments of foreign capital could hasten and facilitate these processes. But instead of investments, Poland is being offered food assistance. And we do not need capital in order to eat it up.

[KONFRONTACJE] And what do you think—will foreign capital want to come in here?

[Messner] That depends on two factors: certainty that the invested capital will bring a profit and the West's global strategy towards Poland and the entire socialist bloc.

[KONFRONTACJE] Is premier Mazowiecki's government capable of convincing the West to invest in our country?

[Messner] This will be partly the result of an assessment of Poland's internal situation, convincing the West that it is stable.

In part, however, this is beyond our sphere of influence.

[KONFRONTACJE] Why were you not able to break the monopoly in the housing cooperatives, in procurement, farm-product processing, etc.? It is generally believed that this is blocking reform.

[Messner] Because monopolies are not broken up by administrative decisions. That is a process which takes years, and trying to convince people that official decrees will produce salutary effects is sheer demagoguery. The legal barriers have been surmounted, together with the law on economic activity. Competition is possible. But in many fields there is no materials base for the development of such competition. Changes in ownership relations will be an accelerating factor. And finally, restructurization. As you see, this is not something that can be done overnight.

[KONFRONTACJE] Professor, the CEMA. It is said that price-cost relations are incorrect, that this organization, if it is not to be liquidated then certainly almost all of the rules that prevail in it should be changed. What is your opinion on this?

[Messner] This is not a new problem. The Council members realize this and are discussing the need for changes. But there are conflicting interests and options. But I share the opinion that without radical transformations CEMA cannot compete, not only with EEC, but with other regional economic communities also.

[KONFRONTACJE] Is a program of radical reforms, such as that proposed by Professor Sachs, possible in Poland?

[Messner] The hope that miracles exist and that someone will finally pull a rabbit out of the hat continues to be strong in the minds of the people.

Actually, a professional discussion on this subject has already been held. There were more opponents than advocates. I will add this to their reservations: In the face of the total disintegration of the market in recent months, the economy will not react to market incentives in the correct way, but in a distorted way. Already now, without applying Professor Sachs's program, we have a complete picture of this.

[KONFRONTACJE] What would you do in Mr. Mazowiecki's place?

[Messner] Three things. First, make structural changes in the Council of Ministers, further combine some of the ministries instead of breaking them up, dissolve the Economic Committee of the Council of Ministers and

the Social-Political Committee, and create better conditions for effective work by the cabinet.

Second, complete the work on the political-parties law and the amendments to the union laws, i.e., prepare proposals to guarantee full political pluralism in a parliamentary-democracy system, at the same time defining the fundamental canons of the political system. Union pluralism, as a substitute for political pluralism, is just as odd as it is harmful. Of course there should be many trade unions, but they should be unions which function and are self-financing on the basis of generally recognized models and rules. Third, the only action which will satisfy the people is bringing inflation to a halt.

Therefore, I would propose that consideration be given to the possibility of introducing a blocking mechanism in the form of a tax on the growth of prices. Not on wages and salaries, not a wage "guillotine" which slows down production, but a tax specifically on prices. Technically that will be very difficult, but perhaps it is worth trying if we do not want to interfere administratively (artificial suppression of inflation, subsidies, state control), and with an unfettered inflation we will not get very far. Of course, this would not close the door to other solutions if they are mutually consistent.

[KONFRONTACJE] You are making the entry of foreign capital dependent on the stability of the state, i.e., on the political situation. Let us go on to politics, therefore. What, in your opinion, is the future of Solidarity?

[Messner] A complete evolution in the direction of a political party? This does not exclude the existence of unions. But unions cannot create or overthrow a government. Both functions of Solidarity should be reflected in practice through a structural division.

[KONFRONTACJE] Therefore, you are in favor of introducing a multiparty system?

[Messner] Yes. In any case, you are a witness to this process. I do not believe it to be possible or advisable to reverse this process or postpone it.

[KONFRONTACJE] And what is the future of the PZPR?

[Messner] If it is able (and I am convinced that it is) to draw conclusions from the development of events and pass from an "omnipotent" role to the role of a political party which expresses the interests and views of a significant part of Polish society, it will be an important force. And if it is able to precede the course of events and not react after the fact.

[KONFRONTACJE] Are you not afraid—this applies to Solidarity also—that the demanding and claiming attitude will prevail because of bad living conditions and the party will become a party typically demanding and claiming, a populist, socialist party, in the bad sense of this word?

[Messner] That is the risk, but this must be fought against.

[KONFRONTACJE] In your opinion, should the president, the professional soldiers, and the employees of the Ministry of Internal Affairs be members of any political party?

[Messner] I do not believe that this is a fundamental problem which needs to be resolved.

[KONFRONTACJE] What will Poland be like in 10 years? Will it be a socialist state, will it be a social-democratic state, or will the liberals perhaps be victorious?

[Messner] Socialist, although not in the traditional sense. This will be shown in the state ownership of means of production (heavy industry, transportation), the retention of a number of social gains, a place in the world arrangement of forces. But radical changes will take place in the model of the exercise of authority, in the methods of governing, and in the instruments and means used. Above all, the methods for achieving goals will not grow to the role of dogmas in the political system. As you see, I am an optimist.

[KONFRONTACJE] Your plans for the future, Professor?

[Messner] You have touched a sensitive nerve. I feel that one of the relics of stalinism is the disappearance of former party and state activists. Everyone who left was sentenced to oblivion.

I believe it to be a matter of primary importance that this be reversed. Less more myself (I am 60 years old) and more for a correct political culture in a modern state.

As for me, I made an unsuccessful attempt at a genuine return to political activity and lost in the elections.

I do not intend to hang on to the coattails of others. I have a profession which I practiced for most of my life. I have returned to the college with which I was connected—the Economics Academy in Katowice.

Will my temperament allow me to retreat to academic tranquility? I am not yet able to answer that question.

#### **Export Opportunities, State of Agriculture Viewed** *90EP0162B Warsaw RYNKI ZAGRANICZNE in Polish 23-26 Sep 89 p 3*

[Article by Sylwester Bielenin: "Give Polish Agriculture a Chance"]

[Excerpts] Two factors which typify the condition and development of Polish agricultural exports are the level of agriculture itself and official agricultural policy. These two elements should, of course, be viewed in terms of foreign trade relations as a whole and of the way Polish economic institutions adapt to serve export. People not

well acquainted with the subject could see the agricultural export successes of years past as a paradox, given the facts of the situation up until now. At the same time, exporters in this branch, especially what we call the "green central offices," are living through an economic crisis, losing out in the competition with foreign and emigre enterprises for the goods they seek. [passage omitted]

#### **Industrialization for the Sake of Industrialization**

The development of agriculture and farm exports has been seriously hampered by the strange price ratios on the domestic market resulting from industrial supports and the subsidy system, a program which gives preferential treatment to wastefulness and supplants economic theory with reasons of state.

Prevailing export policy still harbors vestiges of this sort of thinking. The practice of considering farm products as items involving scant processing and forcing producers to sell the government 70 and even 90 percent of their foreign currency gained from export is nothing short of discrimination against agriculture. Farm products are treated like timber waste, cullet, and tobacco discards. The authors of these regulations obviously consider the production of grain, fruits, and vegetables to be the most primitive sort of activity.

It is not a question here of calling for shifting these products to the "highest" commodity groups, because we should put an end to such bright ideas altogether. On the other hand, it is a question of changing the approach to agriculture, and this at a time when everyone knows the views of the Western experts who have recently been spending a good deal of time wandering around our country. They consider this sphere to be an urgent one for economic development. The question therefore arises as to where the foreign currency is to come from to enable Polish agriculture to buy modern production and processing technology, inasmuch as it has been denied funds for this purpose and the country has not managed to develop the appropriate industry on its own.

Why is it so difficult to understand that a modern processing plant can be built even under Polish conditions in a single year, after which there will be foreign currency, and that the foreign currency part of the investment can be repaid even within 2 years? Meanwhile, the conditions for obtaining credit for this purpose are not much different from the general, disastrous credit principles, and the decision has been made to leave the foreign currency transactions and the profits therefrom to our Western partners, who are after all quite pleasant.

#### **Exchange Rate Against Agriculture**

The rise in the zloty exchange rate impacts agriculture too. Such a policy shields those branches of industry which are based on imports to a significant extent, and there are a good number of such branches of industry. This fact has led to a situation in which it pays even to



import the proverbial item distilled water but not to export fruits, vegetables, and other farm produce, which consist nearly exclusively of water and the labor of the Polish farmer. And the reason that it is not worth it, is that they contain no imported raw materials. The conclusion of all this is therefore quite simple: Because the government effectively raises the value of our monetary unit, agriculture should be compensated in some other way. On the other hand, for the moment, we would prefer to hand over this difference to foreign investors, because otherwise somebody here at home might become very rich.

Domestic exporters have saved themselves through compensatory transactions. This is not top-flight trade, but in the specific situation it has made it possible for them to restore their budgets. Such trade has been greatly restricted now. There can be no doubt concerning the theoretical foundations for such a decision, and representatives of the appropriate ministry have told society about it. The only thing is that they forgot to add that the basic cause for the development of this sort of trade was the unsuitable exchange rate set for the zloty. On the other hand, it is cultivated by many of the companies already mentioned which import raw materials for processing and then pass it on for packaging in smaller quantities for the domestic market. This should be taken as another attack on foreign companies, emigre firms, and joint ventures. On the other hand, the thing is to make it so that the rest of the Polish producers have approximately the same export conditions, because we have now come to consider it dreaming to insist on conditions that are no worse than the prevailing conditions.

Finally, agricultural exports to socialist countries are worth mentioning, along with the fact that they are not profitable, as has been written many times before. On the other hand, these markets are invaluable to us, because the West has a limited capacity, in spite of everything. Market analysis for various commodities provides many examples where we are meeting the need for exports to the West, especially in view of the great competition. Therefore, we must approach trade with the socialist countries in an altogether different way. Above all, we must either alter the conditions of agreements which extend over several years or make appropriate changes in the system of subsidies. The latter is of course unfashionable now, except that we must somehow compensate for the mistake already made, in the event our contract partners refuse any amendment to the conditions of the agreements.

#### Reasonable Precepts

Summing up, certain special actions are required for the agricultural sector of the national economy alone, in order to insure the development of agriculture and an increase in farm exports. After all, this is a sphere with tremendous potential, but normal, reasonable foreign trade principles are a condition to its development. The following things should be done first of all:

Create foreign trade conditions which are identical or approximately the same for all spheres involved in this trade. This means government enterprises, cooperatives, foreign firms, emigre companies, joint venture companies, and physical persons. From the standpoint of taxes, the latter are presently in the perfect situation. There are many commodities which it does not pay an enterprise to import, but a physical person can earn a great deal of money on these same items. It is sufficient to look at store shelves and observe the route which attractive goods take to reach them.

Guide foreign trade using a real mechanism of pricing and exchange rates. Give up the system of bonuses, priorities, directives and prohibitions, authorization, and so on. That is, rationalize trade. Export should be developed by the enterprise to improve effectiveness, not to insure that a few people receive a bonus. So then how will bonus funds be endowed? Out of the money which is trimmed from the amount due the producers and exporters, only somebody somewhere will apportion it in some other way. During the transition period, the tax advantages should be an effective export incentive.

Set the rate of exchange between the zloty and other currencies at a realistic level. If this is not done, agriculture will be in a worse situation than that of many other sectors of the national economy. The impact the zloty's unrealistic exchange rate has had on agriculture can be estimated and calculated. Unfortunately, this money has been withdrawn from agriculture. Up until now we have often heard the argument that import funds for agriculture would be far more expensive following the implementation of such a move. This is true, but in most sectors of agriculture this share of total production outlays is rather small and has a negligible impact on the final product cost.

Base trade with socialist countries on sound economic principles. If this is not possible, given the partners, then a mechanism should be created to support this trade.

Create conditions for developing the packaging industry. We sell a large share of our export-oriented agricultural commodities as partly finished products. Many Western firms do quite well repackaging Polish products into individual containers. At least part of this money could remain in our country.

We could expand the above list to include the credit system, customs rates, and taxes, but the factors we have named are already important enough. Agricultural products are difficult commodities in foreign trade, because they are perishable and because their quality deteriorates rapidly. At the same time, they are exceptionally profitable goods. It should be emphasized, however, that not even the largest export powers shun them. Furthermore, given the present level of our national economy, we really do not have much choice. Let us therefore give our agriculture a chance. Doing so will probably benefit everyone.

### **Fear of GDR Competition for FRG Investment Surfaces**

90EP0198A Frankfurt/Main FRANKFURTER  
ALLGEMEINE in German 13 Nov 89 p 2

[Article by Claus Gennrich: "Satisfaction in Poland About the Downfall of the Communist System in the GDR: Warsaw Is Putting Great Hopes on Help From Bonn"]

[Text] Bonn, 12 Nov—The quake in central Europe now has two epicenters: Poland and Germany. There is still much separating the two countries; that became clear in Chancellor Kohl's interrupted visit. But Kohl was right on target when he described the "common desire for freedom and self-determination" in one of his speeches in Warsaw. Precisely the dovetailing of the stay in the Poland of "Solidarity" with Kohl's participation in the manifestation in Berlin demonstrated what they have in common and its importance for a changing Europe. Members of the chancellor's entourage, such as the translator and man of letters Dedecius, who for decades has sought to promote mutual understanding despite his awareness of the conflicts and difficulties, sensed the actuality of the atmosphere of the Hambacher Festival of 1882. Just as Dedecius in the past, Kohl has now pointed out that at that time the white and red Polish flag fluttered next to the black-red-gold flag, while German, French, and Polish students demanded constitutions and civil rights for all Europeans and sang songs about freedom. At that time, it was said: "Without Poland's freedom, there can be no freedom for Germany, no lasting peace, and no well-being for the people of Europe."

On Saturday, a Polish holiday, there were countless flags to be seen in Warsaw's old town; all showed the colors white and red and none included the red star. In contrast to Hungary, Poland is still a "people's republic but reality has gone beyond the imposed status, back to Hambach and therefore this time perhaps to the horizon of a peaceful European order. Bishop Nossol said in Kreisau that the Poles and the Germans must move together toward a Europe that would have room for both of them."

There were wars between the time of Hambach and Kreisau and after the last one came the expulsion. The resulting sensitivities have not been overcome, even if reconciliation ceremonies are meant seriously. Despite the handshake and embrace with Kohl, the generally averted and reserved face of Prime Minister Mazowiecki spoke for itself. Everywhere there are ambiguities: The churches have long worked for understanding and the attempt at reconciliation and Poland's Catholic Church prepared and secured the way for "Solidarity" and brought the country closer to democracy. But the Polish Church also saw to it that the statement that the Polish Government is appealing to the church to hold mass in German has now been stricken from the joint German-Polish declaration that will be signed on Monday. When the Church takes action, it wants to do so on its own.

The posters shown in Kreisau with the demand for German schools have only partially been outdistanced by the German-Polish agreements that are to be sealed with the joint declaration: It is supposed to be possible to choose the respective mother language of the Germans in Poland and of the Poles in the FRG in the schools. That is quite a lot for the German Silesians but German schools they are not.

Kohl probably felt supported by the assurance of German friendship circles that he is also their chancellor and he ought to think of those hooters in Berlin on Saturday who were audibly of another opinion. But as German as the scenes from Kreisau appeared to be, Warsaw can still not see its way to characterize them as a German minority. Instead, the joint declaration speaks only of persons and population groups who stand by their language and cultural character; in the multiplicity of those for whom this is valid, the peculiar is hidden and yet—this is the progress—guaranteed.

The German events, not in Polish Silesia but farther west, threw a bright light on Kohl's talks with the government in Warsaw. At first the hosts seemed embarrassed, for the German-Polish event was made secondary. But then understanding prevailed. Mazowiecki knew what had now gotten hold of the Germans, as at first many Poles: When the prime minister showed the federal chancellor the "round table" where pluralism had been negotiated in Poland, both of them were aware of the importance of the symbolism and the hope for something similar in the GDR. Nowhere was anxiety expressed about a Germany that could become a threat but there was satisfaction about the downfall of the communist system in the GDR. One often heard the expectation that the ultimate resolution of the border question could be achieved more easily with a united democratic Germany. Guests from Bonn were surprised to experience the fact that Polish hopes for a secure neighborhood are linked more with a united Germany than with one that is divided. Pride over Poland's role as a pacemaker is mixed with sympathy for insubordination against an SED [Socialist Unity Party of Germany] that was always conceived as arrogant and is now quite foreign.

But one concern of Warsaw became discernible during Kohl's visit: The GDR could get a head start on Poland in attracting West German capital. In meetings of Mazowiecki and Polish ministers with representatives of industry and the banks in Kohl's entourage, the desire for economic participation was expressed repeatedly. The German visitors were not left in the dark about the desperate state of the Polish economy and the lack of structures that could channel a new beginning and make it effective. The social security system is about to collapse and distress is becoming widespread. It is feared that the political reforms will be discredited through material chaos. But now the GDR is rising up out of the fog: It is not without reason that the Poles fear an extensive commitment of the West German economy and state in an opening GDR. With the prospect that an

economic miracle can be pulled off in the GDR through the decisive assistance of West German enterprises, as predicted by Lambsdorff, Poland is worried about its preferential position, because the GDR would then be tying up more resources. The view is becoming more prevalent among West German economic representatives that an economic permeation of the GDR to its benefit can become a decisive accelerating force for a growing together of the two parts of Germany without disturbing the EEC structure, especially since the manpower of the Germans is highly valued in the GDR. Meanwhile, many economists think that it is not a concentration of forces on the GDR that will endanger Poland but the slow progress in finding projects with Polish partners.

Bonn's promises included in Kohl's letter to Mazowiecki commenting on the joint declaration and in the accompanying agreements are now all the more important for Warsaw. An IMF treaty with Poland in which Warsaw's economic reforms are accepted as the basis for future agreements is expected even before the end of this year or soon after the start of the new year. Poland will obligate itself to accept the conditions of a reorganization policy, whereby the reaction of the population is an uncertainty factor. When this treaty has been concluded, the IMF will grant a "stand-by credit" and Washington and Bonn will quickly help out with foreign exchange; it is not yet certain whether other countries will participate.

Poland needs the money immediately, because its solvency appears no longer certain. In addition, a portion of the Hermes loan guarantees amounting to DM2.5 billion is not, as customary, to be provided only for long-term delivery operations but also for short-term projects. On Tuesday in Warsaw, as agreed, Kohl will hand over a bouquet of additional effective debt conversion assistance either directly or through the international financial system. Whether the flowers quickly wilt or can be rooted in fertile soil will not only be important for Poland and its relationship to Bonn but will also show how close the connection is between economics and politics: The new Europe must be put together out of solid building blocks.

#### **'Ownership Transformation' Concept Goes Beyond Privatization**

90EP0149A Warsaw RZECZPOSPOLITA in Polish  
20 Oct 89 pp 1, 2

[Interview with Krzysztof Lis, government plenipotentiary for ownership transformation affairs, by Zofia Krajewska: "Ownership Means Many Things"; date and place not given]

[Text] [RZECZPOSPOLITA] For 2 days you have been the government plenipotentiary for ownership transformation affairs. What is your position, concretely?

[Lis] In the service hierarchy I am undersecretary of state in the Ministry of Finance.

[RZECZPOSPOLITA] And essentially what are your duties?

[Lis] The scope of my duties is precisely defined by the Council of Ministers resolution. There is nothing vague here. The first thing which I am to do is to prepare a program to transform the ownership structure of the economy. In short, the law, the principles, and the organization of these transformations.

[RZECZPOSPOLITA] Would it not be better to say openly—privatization of the economy?

[Lis] You are suggesting that we use Orwellian language to conceal ignoble intents. None of these things—the transformation of ownership is simply an extremely broad concept which also includes privatization, but more than that. On the other hand, there is no question that changes in the structure of ownership in Poland are essential. This is due to the fact that 80 percent of the national income is formed in state enterprises, but that has nothing to do with what the government plans to do, which is to introduce a market economy.

[RZECZPOSPOLITA] You are abandoning privatization entirely?

[Lis] I did not say that. However, we are not betting in advance that some 10 percent of state enterprise will pass into private hands. But we do intend to stimulate the establishment of state enterprises and support and speed up the creation of private enterprises. The previous government began this process through the law on economic activity. To date, approximately 200 private firms have sprung up.

[RZECZPOSPOLITA] The possible role of foreign capital in ownership transformations is inspiring very heated discussions.

[Lis] I see no danger in this if it takes place under principles which are sound and advantageous to our state. Anyway, we have already taken the first steps. Two laws on joint ventures have already paved the way. I want to mention at this time that foreign capital comes into contact not only with state enterprises, but also with cooperatives, companies, and private firms. By the end of 1988, 60 enterprises of this type were formed. Now there are over 500 which fall under the new law.

[RZECZPOSPOLITA] Will you take over the Agency on Foreign Investment Affairs?

[Lis] Of course not. This agency will continue to play a leading role. It will be my job to help it in certain matters.

[RZECZPOSPOLITA] I get the impression that we are somewhat avoiding the subject. That particularly delicate subject, which is what happens to the state enterprises in which joint ventures do not come into play?

[Lis] It is understandable that ownership transformations in these enterprises, as I said earlier, are unavoidable. Except that the possibilities here are very great. Privatization is not the only solution in this case. We would rather stimulate the establishment of workers' enterprises, transformation into companies—with or without the participation of the workers, a workers' stockholding enterprise. In addition, we plan to make ownership transformations which precede public acquisition of stock in state enterprises. We also want to guarantee that workers in all cases have priority in buying stock and that they can buy it at a slightly lower price.

[RZECZPOSPOLITA] But even if the stock is "priced" honestly, not many people will have the money to buy it. A fiduciary institution is needed which will give the workers credit.

[Lis] These matters will be resolved through legislative action. My primary duty is to see to it that this entire process takes place honestly, publicly, out in the open. Not behind closed doors.

[RZECZPOSPOLITA] The "Diora" and "Omiga" matters continue to arouse emotion.

[Lis] That is precisely what a plenipotentiary is for—to avoid such matters in the future. Voluntarism ends with my appointment.

[RZECZPOSPOLITA] Why? There still are no regulations and the process of transformation is already underway.

[Lis] Except that starting today the plenipotentiary must give his opinion on every draft. Until now, it was said that state assets belong to no one. Now we have our own government, our assets, and a specific plenipotentiary has been appointed to watch over them—so that they not be "dissipated" in ways not always fully known.

[RZECZPOSPOLITA] If there is to be a public sale of stock, then there must be a stock exchange.

[Lis] Not only a stock exchange, but an entire securities market. My duty is to prepare drafts of legal and organizational acts—to create the structure of a legal institution which supervises and prepares enterprises for public auctions of their stock, and also those laws which will protect the interests of the buyers. To make sure that the party issuing the stock not disappear suddenly and leave the customers holding the bag.

[RZECZPOSPOLITA] An institution is as good as its officials. Are you saying that you will create a new army?

[Lis] Please sir, there are officials and there are officials. We will be operating in a particularly delicate area, one susceptible to abuse. In the United States, thousands of people work in overseeing the securities market. The state treasury finds it profitable to pay those who watch its assets and multiply its income.

[RZECZPOSPOLITA] And how many people will you employ in your office?

[Lis] Right now I not only do not have an office, I do not even have a chair. And I will employ as many workers as will be needed.

[RZECZPOSPOLITA] Are you already working on something specific?

[Lis] For a long time, jointly with my colleagues, we have been working on the concepts of ownership transformations and the securities market. We are examining various models, the experiences of those countries where the securities market has been functioning for a long time as well as the "novices" in this field—Portugal, Greece, Turkey. We have established contacts with British, American and French firms which specialize in this.

[RZECZPOSPOLITA] After you complete your legislative work, then what?

[Lis] I will not be needed. After I propose laws to parliament and parliament ratifies them, when the indispensable institutions are established, I will be relieved of the task entrusted to me. And then, as they say, I will take a deserved vacation.

[RZECZPOSPOLITA] Not soon, I daresay.

[Lis] The sooner the better, but the task entrusted to me will take time.

### Small Exporters Seek Market in FRG

90EP0160A Warsaw RYNKI ZAGRANICZNE in Polish  
7 Oct 89 p 8

[Article by PAR: "A Level Lower"]

[Text] Whole groups of new small exporters in Poland are trying to find foreign customers for the products they have to offer. They are also thirsting for information which might assist them in reaching this goal. At the initial stage, the information of greatest practical significance consists of concrete data such as foreign firms' addresses and scope of operations. Best of all, however, would be personal contact with the potential customer.

To meet this demand, the Polish Chamber of Foreign Trade (PIHZ), the Poznan International Fair (MTP), and GAZETA TARGOWA sponsored a seminar in Poznan devoted to promoting Polish exports to the FRG market in the most concrete possible terms. Twelve West German businessmen representing certain industrial branches and commodities presented the FRG market's needs for chemicals and household chemical products, clothing, textiles, household appliances, florist products (dried flowers and related accessories), and artistic crafts.

Among the Poles attending the meeting, there were 84 producers and exporters from all sectors of the economy. An equal number of applicants had to be turned away for



lack of room. Hence, there were private artisans, representatives of trade organizations and cooperatives, and state producers. Some people brought samples of their goods to the meeting, and the FRG guests were interested in them but emphasized that the export must not only be attractive and of high quality but also suit the import market's tastes, fads, and inclinations. Not all the goods presented met these conditions.

What made the Poznan meeting unique was the fact that the West Germans were looking at the Polish market to find suppliers rather than an outlet for their own goods. This sort of endeavor is part of the FRG Federal Ministry of Economics' program for promoting foreign exports on its own market. This is a consequence of the FRG's strong commitment to an international division of labor and the related import needs in certain commodity groups.

The ministry has thus developed what it calls a "program of experts," which is being carried out in various developing and Eastern European countries considered "promising." This year, for example, there will be meetings in Turkey and Venezuela, as well as Hungary, Bulgaria, and Yugoslavia.

Competing with them on the FRG market, Poland has shown its trump cards, such as its significant economic capacity, technical culture which is similar, and a geographical proximity which makes transport costs lower. The FRG customers here are not concealing the fact that some of their special interest in the Polish market now has to do with their desire to support economic reform in our country.

Accordingly, three seminars have been sponsored under the auspices of the program this year. The next one, which will be devoted to managing and organizing export operations, will be held this October in Warsaw, and there are plans to hold another meeting before the end of the year on modules and components for the construction industry and on the trade and processing of herring.

The West German guests did not come to Poland to engage in big business right away. Instead, the purpose of this first step was to learn about needs and to provide incentives for further direct contacts between interested firms. As the foreign entrepreneurs emphasized, up until now they have mainly been making contact with state trade organizations, but now the changes in our economy require flexibility on their part in the form of contacts at the next level down, the direct producers, including smaller ones.

This also coincides with Polish interests. As Dr Tadeusz Walczykiwicz, the PIHZ initiator of the endeavor, said, "only direct contacts can provide opportunities for the various Polish firms to create their own export strategy, to conduct individualized marketing on the foreign market, and actually adapt products to the customers' needs and tastes."

After the meeting the foreign participants said that the people on the Polish side were clearly eager for and interested in cooperation, and the guests had never expected such a strong response. They said that they were surprised to have engaged in so many interesting talks and to have received so many concrete proposals.

### **Indian Footwear Firm Opens New Branch**

90EP0160B Warsaw RYNKI ZAGRANICZNE in Polish  
28 Aug 89 p 8

[Article by Maciej Tekielski: "Phoenix Overseas Private Limited"]

[Text] The agencies and branches of foreign firms which have suddenly opened up branches and offices in Poland have recently included representatives from distant countries, including those which we have become accustomed to including in what we call "the Third World." In many areas today they reflect a level which would run us stiff competition. India is one of these difficult rivals.

Phoenix Overseas Private Limited is the first Indian company to set up a branch in Poland, but there are more firms already standing in line even now. Phoenix is a young company. It has been in New Delhi for 3 years. It handles production and commerce. Its four factories near the capital make leather footwear and uppers. The company also has a clothing factory and an electronic equipment assembly plant, which produces personal computers out of parts and components imported from countries in the Far East, among other things. The company's turnovers in 1988 amounted to \$75 million.

The firm is clearly set up to engage in commerce with socialist countries, because such trade represents the majority of its turnovers. It has offices in Moscow and Leningrad, as well as Budapest. It also has representatives in Kiev and Tashkent, where it is in the process of setting up offices.

Arun Sharma, the regional director for Eastern Europe, who is able to get along in Polish, does not expect to make a profit from the Warsaw office's operations this year or even next. Trade with Poland is difficult just now, because under the clearing agreement the accounting is in Indian rupees. Therefore, even if he could find a Polish customer willing to pay in dollars, he would not be able to carry out such transactions, because the Commercial Bank only handles operations in rupees. There were plans to set up a system for setting up hard currency auctions for currencies used for clearing. These could be a source of payment for importers interested in bringing in Indian goods. These plans did not see fruition. Such a situation by no means facilitates trade.

Poland is officially responsible for getting away from clearing and going over to free foreign currency accounting, but for the moment the Indian side does not share these aspirations. As a footnote, we can say that

such a step could initially cause some decline in turnovers, but in the long run it would surely help bring about an increase in turnovers, as well as greater effectiveness.

Phoenix is therefore waiting for a change in principles of trade between Poland and India. For the moment it is making contacts. It also intends to make initial contacts for chemical products. Because it has a branch in Warsaw, it can collect data first hand and become familiar with the market and its habits. In the future it would also like to open an Indian restaurant in Warsaw, but so far it has not been able to find a partner. Although a great many parties appear to be interested, Phoenix has not been able to come to an actual agreement with any of them.

The company is also offering construction services in Poland. This is a rather astonishing offer, because we usually propose the same sort of services to foreign markets. The Indian company is prepared to undertake construction of hotels, for example, as well as residential buildings, but Mr Sharma warns that Phoenix cannot provide the credit or financing for such ventures.

I recall the surprise when the offers were made to handle one of the industrial projects in our country, one which was a candidate for World Bank credit financing, and among the famous West European firms there was this Indian company which nobody knew. Its offer held its own among the competitors and had a decided price advantage. We can expect Indian firms to serve up more surprises like this one. The opening of the first of their offices in Warsaw brings this prospect closer to reality. This is their address: Phoenix Overseas Private Limited, 6 Armia Ludowa Street, no 11, 0-571 Warsaw. Telephone: 21-37-06. Telex: 816706. Fax: 44-77-20.

#### Search for Baltic Sea Oil Reserves Continues

90EP0147C Warsaw RZECZPOSPOLITA in Polish  
21-22 Oct 89 pp 1, 3

[Article by (k-p): "Will We Find Oil Under the Baltic?"]

[Text] The drilling platform of the international organization Petrobaltic is finishing its tenth season of exploration for oil at the bottom of the Baltic. In Pomeranian Bay, offshore bearing in the direction of Swinoujscie, drilling of the largest exploration hole thus far at the bottom of our sea has entered the final phase. It will go down 5 kilometers from the earth's surface, making it possible to better identify its strata and determine the possibility of oil. The results of the work should be known in 2 to 3 weeks.

The 5-kilometer bore-hole in Pomeranian Bay is the 28th drilled in the south Baltic. Oil beds were found in six cases. Two of them offer the greatest hopes. One of the beds, code-named d-6, is in the Soviet zone of the Baltic, bearing in the direction of Klajpeda. The oil here lies relatively close to land, in a place where the sea is about 30 meters deep. But the bed in the Polish shelf (b-3) is

located about 30 nautical miles to the north of Rozewie and the sea in this region is over 80 meters deep.

Although official estimates have not been given, some experts believe that it may be possible to extract as much as 2 million tons of oil in the Polish shelf in one year, i.e., an amount several times larger than was extracted during good times from domestic land beds.

The experts say that the oil located thus far is of good quality. The fluid mineral does not contain sulfur and has a low specific gravity.

As Tadeusz Harna, chief engineer of Petrobaltic, told a RZECZPOSPOLITA reporter, no decisions have been made yet as to beginning the extraction of oil. Possibly the organization's council, which will meet in December, will say something on this subject. In any case, the recommendation of one of the specialty western firms that a technical and economic study of the entire venture be made, will be considered. In the final analysis, the time and scope of the exploitation of the discovered Baltic beds will be decided by a cost-effectiveness study, whether the venture will be profitable, which will be affected by both the costs of extraction and the world price of oil.

Drilling of the sea closest to us is reaching an end, and Petrobaltic, in accordance with the spirit of the times, is supposed to change its character. The firm, which has been financed thus far out of the treasuries of its co-owner states (Poland, the USSR and the GDR), will have to earn its own keep. There is talk, therefore, of offering services to other Baltic states, and even exploration work in the much more distant, warm regions of the world.

#### Polish VCR's Planned for National Market

90EP0143C Warsaw ZYCIE WARSZAWY in Polish  
10 Oct 89 pp 1, 2

[Article by Zbigniew Siwik: "There Will Be Polish VCR's"]

[Text] Can Polish electronics, particularly in the area of general-use equipment, become the drive wheel of our economy, or has it been just as severely affected by the crisis as have other fields. We have already written about television sets. Today we are writing about VCR's. Yes, yes, Polish VCR's.

Certainly, prototype units have already been shown on television, but we still have to wait for serial production.

The Marcin Kasprzak Radio Factories in Warsaw have for several years aimed at starting up production of VCR's, having had some small experience in manufacturing the old reel-type VCR's.

Since last year they have been producing the MTV-100 VCR which, to tell the truth, is already somewhat obsolete. That is why all of this year's production—about 2,000 units, will be sold only to schools (through Cezas).

Starting next year serial production of a newer model, MTV-200, or an even later model from the standpoint of the integration of electronic assemblies, MTV-210, will begin. Test series have already been produced.

MTV-200, and especially MTV-210 (if there is enough foreign currency to buy the newer electronic parts), will be a VCR of the South Korean Goldstar class. Production will not exceed 20-30,000 units because the machinery now in the factories cannot produce more, and even if a couple thousand more could be manufactured, this would require a complete set of machines on a second production line. And the foreign-currency prices of these machines are more than the factories can pay right now. Perhaps in the future...

The dollar exchange rate policy conducted by the government is also important. We should remember that additional money was allocated by the Office of Scientific-Technical Progress and Applications when the design work was initially done, but now there will be no such additional money, or any kind of relief.

But in 1991 Kasprzak wants to produce 40,000 VCR's, for the Polish market. The price will be competitive with the Korean equipment imported by private and foreign firms.

Kasprzak's competitor (it is interesting that in electronics even before a market product comes out there is already competition), the Dzierzoniow firm Diora has already produced an "0" series, and not at all that small because it amounts to 10,000 units. The [illegible] series is nothing more than finished subassemblies, functioning correctly, tested, and waiting to be assembled into the whole unit, i.e., the VCR.

"Next year Diora plans to produce 20,000 'medium European class' VCR's," says Ryszard Kaminski, chief VCR specialist. In a few years the Dzierzoniow factories want to manufacture 100,000 units a year, but as much as possible for export so as to earn foreign exchange with which to buy electronic parts (mainly Philips), which should ensure a suitably high quality of equipment.

#### **Daihatsu Aid Sought in Mid-Size Car Production**

*90EP0143B Warsaw TRYBUNA LUDU in Polish  
3 Oct 89 p 1*

[Text] (PAP) The Japanese agency Kyodo in recent days has again brought up the matter of the participation of its largest automobile firms in developing this field of industry in Poland.

The Kyodo Warsaw correspondent reports that FSO (Automobile Factory) has turned to the Daihatsu Motor Co. for technical and financial assistance in the production of mid-size, diesel engine cars. The undertaking of

cooperation, says the Japanese agency, would mean that Nippon will be the leading foreign investor, ahead of the United States and Western Europe, in this key sector of Polish industry. In the opinion of reliable Warsaw circles, to which the agency made inquiries, FSO would like to obtain Daihatsu's financial assistance as quickly as possible. The factory's representative was to have suggested that Fiat and Volkswagen are also interested in a contract.

But the Japanese have made the establishment of cooperation dependent on the obtainment of export and credit guarantees from the government in Tokyo. As we know, the refusal to give such guarantees last year was responsible for the cancellation of FSO talks with Daihatsu on forming a mixed-capital company (in which the share of the Japanese firm, according to Kyodo, was to amount to 50 billion yen) which would produce [illegible number] thousands of 1,300 cc diesel engine cars a year and export to other European markets 40,000 vehicles manufactured in Poland. The Japanese government at that time made the formation of a joint enterprise conditional on the results of Poland's negotiations with the Paris Club.

#### **Dutch-Polish Protocol on Environmental Cooperation Signed**

*90EP0143A Warsaw RZECZPOSPOLITA in Polish  
2 Oct 89 p 2*

[Article by For.: "Dutch Cooperation and Assistance in Environmental Protection"]

[Text] A protocol on Polish-Dutch cooperation was signed in the building of the Ministry of Environmental Protection and Natural Resources by Minister E. Nijpels, chairman of the delegation from Holland's Ministry of Construction, Territorial Planning and Environment, and the chief of our ministry, Dr (Engl) Bronislaw Kaminski.

The document is a summary of the present 2 years of cooperation. It promotes joint action in ecology and facilitates the development of technology which serves to protect the environment and the exchange of technical information. "We will also concern ourselves with the recultivation of lakes and water reservoirs and the renewal of chemically degraded soil," said Minister Ed Nijpels. "I also believe that in 4-5 years it will be possible to create a network of monitoring stations in Europe."

On 27 September a Polish-Dutch joint air-monitoring station began its operations in Czarniawa near Jelenia Gora. Now the Dutch government, in cooperation with the Pekienrood Water Treatment Firm, is offering a pilot water treatment plant to the Institute of Technology for Sea-Derived Food at the Academy of Agriculture in Szczecin.

**END OF**

**FICHE**

**DATE FILMED**

18 Jan 1990